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# ***JPRS Report***

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# **China**

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## CHINA

### CONTENTS

#### INTERNATIONAL

##### UNITED STATES

- PRC Denies Arms Sales to Iran, Criticizes U.S.  
(Beijing in Russian to the USSR, 16 Jun 87) ..... 1
- U.S. Attitude Toward Deng Viewed  
(Ai K'o-ssu; CHENG MING, No 3, Mar 87) ..... 3

#### POLITICAL

- PRC Defector in Taiwan Discusses Fang Lizhi  
(P'u Shu-hua; LIENHO PAO, 14 Jan 87) ..... 7
- Revised PRC Electoral Law Analyzed  
(Chin Ching-kao; CHUNGKUO TALU, No 2, 15 Feb 87) ..... 11
- Structural Reform of Procuratorial Organs Advocated  
(Cao Haibo, et al.; FAXUE JIKAN, No 1, 10 Feb 87) ..... 16
- College Students Urged To Study China's Reality  
(ZHONGGUO QINGNIAN BAO, 10 Mar 87) ..... 19
- Wan Li Addresses Youth Working in Impoverished Areas  
(Wan Li; ZHONGGUO QINGNIAN BAO, 21 Mar 87) ..... 22

## ECONOMIC

### NATIONAL AFFAIRS, POLICY

Conflicts in Financial Reforms (Wu Jiesi; JINGJI YANJIU, No 3, 20 Mar 87) .....	25
--	----

Yu Guangyuan Discusses Economics, Organizational Reform (Yu Guangyuan, et al.; CAIZHENG KEXUE, No 1, Jan 87) .....	33
---	----

Discussion of Ownership Reform, Stock Enterprises (Li Ying; ZHONGGUO JINGJI TIZHI GAIGE, No 2, 23 Feb 87) .....	44
--	----

### FINANCE, BANKING

Regulations on Penalties for Financial Violations (XINHUA Domestic Service, 24 Jun 87) .....	50
---	----

Shanghai Researchers Discuss Pricing Reforms (Xiao Li; JINGJIXUE ZHOUBAO, 31 May 87) .....	56
---	----

### MINERAL RESOURCES

RENMIN RIBAO on 'Huge Waste' of Minerals (XINHUA, 15 Jun 87) .....	59
---	----

### CONSTRUCTION

Vice Minister on Main Tasks, Policies for Town Development (Lian Zhong; CHENGXIANG JIANSHE, No 4, 5 Apr 87) .....	61
--	----

Port Construction in Shenzhen SEZ (Zhang Guowu; JINGJI DILI, No 1, Feb 87) .....	69
---	----

### ECONOMIC ZONES

Searching for Economic Development Model for Shenzhen (Yuan Wenqi, et al.; JINGJIXUE ZHOUBAO, 3 May 87) .....	75
--	----

### LABOR

JINGJI RIBAO on New Understanding' of Wages (Kang Yonghe; JINGJI RIBAO, 2 Jun 87) .....	81
--	----

### POPULATION

Official Interviewed on Sample Population Survey (RENMIN RIBAO, 23 Jun 87) .....	83
---	----

## TRANSPORTATION

- Transport Tasks for First Year of 5-Year Plan Fulfilled  
(Li Yanyi, Feng Shiming; ZHONGGUO JIAOTONG BAO, 28 Mar 87) 85
- Transport Management Reform Plan Unveiled  
(Zhang Guorong; RENMIN RIBAO, 29 Mar 87) ..... 87
- Reform of Inland River Transport Price System Urged  
(Zhou Zongshi; ZHONGGUO JIAOTONG BAO, 1 Apr 87) ..... 89

## AGRICULTURE

- Reform of the Agricultural Marketing System  
(Wu Shuo, Yang Min; NONGYE JINGJI WENTI, No 2, 23 Feb 87). 92
- Using Foreign Capital To Develop Agriculture  
(Jing Xiaolin; CHING-CHI TAO-PAO, No 18, 11 May 87) ..... 100
- Dry Grain Production Should Be Given Due Regard  
(Zhao Xiaodao; ZHEJIANG RIBAO, 24 Apr 87) ..... 104
- Fujian Tree Farms  
(Ya Fu; ZHONGGUO LINYE, No 4, 17 Apr 87) ..... 107
- Expanding Scientific, Technical Corps in Agriculture in Liaoning  
(Hou Wanru; NONGMIN RIBAO, 18 May 87) ..... 109
- Yunnan Strengthens Rural S&T Work  
(Ji Yufeng; YUNNAN RIBAO, 2 May 87) ..... 111

## REGIONAL

### EAST REGION

- Changing Views on Chinese Traditional Moral Codes  
(Huang Weihe, et al.; SHEHUI, No 1, 10 Jan 87) ..... 114

### SOUTHWEST REGION

- New Characteristics of Juvenile Delinquency in Guizhou  
(Zhong Renwei; FAXUE JIKAN, No 1, 10 Feb 87) ..... 117

## TAIWAN

- Opposition's Stand on Beijing's Overtures  
(Chen Shih-chang; TZULI WANPAO, 19 Feb 87) ..... 120

/9986



UNITED STATES

INTERNATIONAL

PRC DENIES ARMS SALES TO IRAN, CRITICIZES U.S.

OW201924 Beijing in Russian to the USSR 1800 GMT 16 Jun 87

[Station commentary: "Attention Should Not be Diverted"]

[Text] Recently, press media and high ranking officials in the United States have raised a hue and cry that Iran has become the largest purchaser of Chinese weapons and that in the latter part of May, Iran signed a large deal, involving a sum of \$567 million, to exchange oil for arms. Further, it has been said that China has agreed to build a military plant for Iran, and so forth.

In connection with this, a PRC Foreign Ministry spokesman in all seriousness pointed out that these announcements are nothing but pure fabrications.

The Chinese leaders have time and time again publicly outlined the principled position of China in relation to the Iran-Iraq war. This position is as follows: Iran and Iraq are friendly countries. China expresses its hope that they, by means of peaceful talks, will solve their differences and bring an end, as quickly as possible, to their war, which has brought suffering upon their people.

China is strictly adhering to a neutral position in relation to the Iran-Iraq war. It has called the two countries to peace, and is making active efforts to facilitate an end to the war. China is most interested in ensuring international shipping routes in the Gulf, and is opposed to the threat and infringement of freedom and safety in international navigation caused by any state, under any excuse and in all forms. China hopes that all the interested sides will exercise a measure of control, that they will refrain from attacking, or threatening to attack, the tankers and cargo vessels in the Gulf.

At the same time, China is against the military involvement of the superpowers in the Gulf under the excuse of ensuring the safety of the sea lanes, which will only make the situation in the Gulf more difficult.

The above-outlined Chinese position is consistent and is known to the whole world. But the official circles and some of the mass media of the

United States are ignoring the facts and are, with unseemly goals in mind, throwing dirt on China. We wish to remind you that the U.S. Government has stated openly that it has decided -- so the vacuum in the Gulf will not be filled by the Soviet Union -- to add further Navy vessels to the Gulf to strengthen the U.S. military forces in this region, and is threatening a primitive attack on one of the sides in the Iran-Iraq war under the excuse of ensuring freedom of shipping in the Gulf.

The above-mentioned statement and actions of the United States not only did not receive approval at the Western summit meeting in Venice, but also encountered sharp opposition from U.S. congressmen.

Moreover, the White House is continuing to be burdened by the prolonged Irangate incident. The United States is being racked by difficulties in restoring its lost prestige in the eyes of the moderate Gulf countries and by the fact that the democratic Party, by clinging to this question, is weakening the Republican Party position for the presidential elections next year.

The U.S. officials and some of the mass media have fabricated slanderous concoctions against China precisely in order to divert the attention of the public from the increasing military involvement of the United States in the gulf area and from the Irangate incident. But facts speak louder than words. By attempting to blame China, and thus lessen its own difficult position, the United States will, in the end, only expose itself in the eyes of the world public.

/12624  
CSO: 1830/587

UNITED STATES

INTERNATIONAL

## U.S ATTITUDE TOWARD DENG VIEWED

Hong Kong CHENG MING [CONTENDING] in Chinese No 3 Mar 87 pp 50-51

[Article by Ai K'o-ssu [5337 0344 1835]: "The United States Should Readjust Its Policy Toward Chinese Communists"]

[Text] The "struggle against bourgeois liberalization" initiated by the Chinese communists has drawn the strong interest of the outside world. Besides the criticism and censure from overseas Chinese, the United States, and Japan, these two countries whose relations with China are fairly close, are quite concerned, the United States because of its global strategy and Japan because of its close economic and trade relations with China.

### Deng Xiaoping Is Fierce of Mien But Faint of Heart

On the Chinese mainland, the Communist Party is much more than the "only big party." It exercises one-party dictatorship and can do whatever it likes. Therefore, this fact was once also one of the popular topics of conversations in the reform of the political system. Now the "party's leadership" is being noisily advocated, of course excluding the effecting of any balance. However, the reaction of the outside world could make the Chinese communists exercise a little restraint. In this respect, it is because the Chinese communists want to get some "face"; in another respect, it is because they want to achieve the four modernizations and raise the people's living standards in order to consolidate their rule. Therefore, they had to put the open-door policy into practice to get some help from the outside world. Thus, they have to take into account public opinion in Western countries.

On 30 December last year, when Deng Xiaoping called to his home Hu Yaobang, Zhao Ziyang, Wan Li [5502 6849], Hu Qili [5170 0796 4539], Li Peng [2621 7720], and He Dongchang [0149 2639 2490] for an admonitory talk, he could not refrain from revealing the state of his thinking.

When talking about the expulsion from the party of Fang Lizhi [2455 0536 0037] and Wang Ruowang [3769 5387 2598], he said: "Didn't we arrest Wei Jingsheng [7614 0079 3932]? Was China's reputation ruined? His arrest and nonrelease did not affect China's image, and our reputation gets better day by day." When the admonitory talk was rapidly winding down, he said: "Opposition to bourgeois liberalization is indispensable. Don't be afraid that foreigners

will say that we are damaging our reputation. China must take its own path in building socialism with its own special features. Let the foreigners see China's stability; then there will be hope for China."

On the surface Deng Xiaoping said "don't be afraid of what people say about us," but he repeatedly talked about "reputation," which shows that he still takes account of the adverse effect on his reputation because of the opposition to bourgeois liberalization, and therefore he is fierce of mien but faint of heart.

To further develop and deepen China's reform of its economic and political systems, besides depending on winning over the Chinese people themselves, the promotion in the outside world will play a certain role; particularly under the circumstances of the one-party dictatorship system, with the lack of a balancing political mechanism, the influence of the outside world is sometimes extremely important.

#### The United States Praises Deng Too Much

In the current struggle against bourgeois liberalization suddenly launched by the Chinese communists, Hu Yaobang was toppled from power which greatly startled Western observers. Western countries, particularly the United States, should make some response on this issue in order to readjust their policies toward China and to adapt to the new situation.

For example, when Deng Xiaoping said that Wei Jingsheng's "arrest and nonrelease did not affect China's image, and our reputation gets better day by day," obviously it was because, although the matter drew some criticism from the outside world, as time passed some people forgot that Deng Xiaoping had done this bad thing, and some people excused him for doing it --on this point the behavior of American public opinion was most prominent. TIME and NEW YORK TIMES have frequently praised Deng Xiaoping and overlooked the fact that politically he is a diehard communist. In particular, after Deng Xiaoping's comeback TIME twice put him on its front cover as "Man of the Year." Also, in particular, after the repression of Xidan Democracy Wall and the arrest of Wei Jingsheng revealed his nature as a dictator, it still esteemed him in this way. Deng Xiaoping, who dreams of playing the part of a "national hero," could not refrain from being complacent, thinking even more that he was the wisest person in the world and having a too-high opinion of himself.

Besides the praise of its public opinion, America's behavior toward the Chinese communists' policies has been comparatively feeble, and it even does not dare to offend Deng Xiaoping. For example, on the Hong Kong issue the United States did not express its proper principled attitude and show respect for Hong Kong's popular will and human rights. With regard to Chinese who sought political asylum in the United States, because they feared protests from the Chinese communists it made things difficult for these Chinese, and consequently some of them incomprehensibly died. Some U.S. officials even think they can make the Chinese communists military allies, and they sell modernized weapons and equipment to the Chinese communists. With regard to the issue of the Chinese communists' persecution of political dissidents, the

French government has at times made its position clear, but the imposing U.S. Government has made no sound.

That the U.S. Government acts in this way naturally stems from its global strategy and the interests of its own country, but isn't unprincipled accomodation like this a kind of new appeasement policy?

China is a big country with a population of 1 billion, and it occupies a decisive position in the world. If China were to take the path of democracy and freedom, it would prosper economically. Not only would this be a blessing for the Chinese people, it would also be a blessing for the people of the whole world. That would truly be a contribution to mankind. Conversely, if China persists in its dictatorial autocracy, and the more it develops its economic forces the more its military forces become powerful, then there will appear a new Hitler or new Stalin. Not only will this be unfortunate for the people of this country, but also once it expands into the world, exporting "revolution" and "dictatorship" it could be a true "Yellow Peril."

#### The United States Should Sober Up a Little

Although between the Chinese and Soviet communist parties there are this kind and that kind of difference and contradiction, in the final analysis they are both communist parties that advocate dictatorial autocracy. The common points between them are more than the common points between China and the United States. Once they unite on the basis of the "four basic principles," there will occur fundamental changes in the entire world situation.

This action by Deng Xiaoping against bourgeois liberalization should make Americans sober up a little. Therefore, when the incident in which the AFP reporter (Maileven), who had U.S. citizenship, was expelled, the U.S. State Department issued a strongly worded criticism, pointing out that the incident was unprofitable for Sino-American relations and for China's image in world public opinion. However, after the passage of time, and after Deng Xiaoping speaks a couple of sentences, will the U.S. Government forget Deng Xiaoping's previous criminal record?

The next 1 or 2 years will be a critical period for China's reform. No matter whether a student movement occurs or not, on the issue of reform of the political system, sooner or later a struggle at close quarters between the reformers and the conservatives will break out, and the focal point of the struggle will be how to approach the problem of the party's leadership. If the reformers triumph and the Chinese communists permit the appearance of opposition parties, it will be unlikely that the present rule of the Chinese communists will be overthrown, but they will be forced to accept the supervision of the masses and will not be able to do as they like; and people will have the right to choose. Thus, China will be able to gradually make the transition to democratic politics. Conversely, if China sticks to the party's leadership, it will be bound to suppress dissidents, and China can only backtrack to the point where "the Soviet Union's today is our tomorrow."

What is unfortunate is that the struggle against bourgeois liberalization started by Deng Xiaoping (he threatens to wage it for 20 years) is dragging China backward, and the language and tactics used in the struggle are no different than the antirightist campaign of 30 years ago and the Cultural Revolution of 20 years ago. What is gratifying is that the Chinese people and Chinese intellectuals have been tempered and will not easily knuckle under, a fact which makes it difficult for Deng Xiaoping to start a new Red Guard movement. However, it is certain that the intellectuals have been dealt a blow, and that the demand for democracy, freedom, and human rights has been dealt a blow.

In March U.S. Secretary of State Shultz will visit Beijing, and we can then see whether the U.S. Government will advise the Chinese communists to respect freedom and human rights, or whether, for fear of offending the Chinese communist authorities, it will avoid this issue. The U.S. attitude will have some influence on the progress of China's reform.

9727

CSO: 4005/492

PRC DEFECTOR IN TAIWAN DISCUSSES FANG LIZHI

Taipei LIENHO PAO in Chinese 14 Jan 87 p 2

[Article by staff reporter P'u Shu-hua [5543 0647 5478]: "Recalling Life in Those Years of Reform Through Labor; Words Cannot Express the Blood and Tears"]

[Text] Professor Hsu Chia-luan [1776 1367 7762], an anticommunist scientist, in 1958 came to know Fang Lizhi [2455 0536 0037], the vice president of the "China University of Science and Technology" in Anhui, who was persecuted by the Chinese communists. In the following 15 years, Professor Hsu and Fang Lizhi became friends in adversity who shared a common destiny. Yesterday afternoon, Professor Hsu granted an exclusive interview to this newspaper's reporter P'u Shu-hua, in which he recounted the sad history of blood and tears in that period of the past. Following is the content of the interview:

Reporter: Could Professor Hsu please recall how he came to know Fang Lizhi?

Hsu: Fang Lizhi graduated from the Physics Department of Beijing University in 1956. At that time he was called the "most outstanding student that Beijing University ever had." For 5 years in succession, in the 100 courses that he took, including sports, in not a single one did he get less than full marks, and he received the graduation "gold medal." After graduation, because Fang's father was a railway worker, Fang was one of the "five kinds of red" and therefore when in the university he had "joined the party," the Chinese communists conducted a political investigation of him, and in the "secret level" ranks he was listed as being of the highest rank. Thus, he was assigned to the Atomic Energy Institute of the Chinese communists' "Chinese Academy of Sciences," and he became a talented person in the study of the most advanced branches of science and technology.

In 1957, Mao Zedong started the "airing of views movement." Fang Lizhi and his wife Li Shuxian [2621 3219 1288], (a classmate in the Physics Department of Beijing University and a native of Mingguang County in Anhui), mistakenly believed in the sincerity of China's reforms. They submitted a joint "statement of views" to the CPC Central Committee, pointing out the many malpractices that had been revealed in the Chinese communist administration at that time and advocating that the mainland make fundamental reforms. They had not expected that the "airing of views movement" was simply Mao Zedong's "sun

plot," and its main purpose was to "lure snakes out of their caves." Unfortunately, Mr and Mrs Fang Lizhi fell into his trap. They were simultaneously expelled from the party and driven out of their original units.

At that time I was the deputy directory of the "Physics Teaching and Research Section of the China University of Science and Technology," which had been set up shortly before, and thus I came to know Fang Lizhi, who had been taken from the "Atomic Energy Institute" and reduced to an assistant who was "kept to the side," at the "China University of Science and Technology."

Reporter: During the "Cultural Revolution," were you and Fang Lizhi both attacked?

Hsu: Before 1966, Fang Lizhi and I together did research work in the "Theoretical Physics Teaching and Research Section" of the "China University of Science and Technology." Although he was a "rightest element," in his research work he did not slacken in the slightest, and he fully displayed the proper spirit of a scientist.

In 1966 the "Cultural Revolution" sprang up, and in the early stages we 16 members of the "Theoretical Physics Teaching and Research Section" organized a "combat team" to protect ourselves, and we put up big-character posters and exchanged revolutionary experiences everywhere. Sometimes we would gather at night in my house, and everyone would grumble and fully "lay bare one's views"--bitterly cursing communism and the "Cultural Revolution." However, not long afterward two factions at the university--the "protect the emperor" faction and the "rebel" faction--regarded us as a "counterrevolutionary clique." We were labeled "a base for White dictatorship," "bourgeois enemies," "a treacherous clique," and even "active counterrevolutionaries" and we were watched as if we were criminals. Fang Lizhi and I were put in a "dictatorship team," and we had to "go through face-to-face struggles and make back-to-back confessions." That was in the summer of 1968.

Reporter: Would Professor Hsu please recall the circumstances when he and Fang Lizhi were in the "dictatorship team."

Hsu: Fang and I were in the "dictatorship team" about 3 1/2 years. In 1970, the "China University of Science and Technology," under Lin Biao's instruction, was moved to Hefei in Anhui. Fang Lizhi and I, the number four and five "counterrevolutionaries," were sent as criminals under escort to Cai Jiagang's [5591 1367 3263] and Xie Jiaji's [6200 1367 7162] Huainan Coal Mine in Shouxian County, Anhui, where we underwent reform through heavy labor.

During the time we worked in the coal mine, although Fang Lizhi and I worked in the same mine shaft, we were closely guarded and completely forbidden to speak. Only once in a while, when going to the lavatory or eating meals, did we come face to face. Then we used eye expressions and the corners of our mouths or made grimaces to encourage each other. Our mood at that time was to encourage each other: "You are still alive. Don't commit suicide, don't give up. You'll see the day that the Communist Party is finished!"



Reporter: Could Professor Hsu please talk about how he and Fang Lizhi returned to the "China Science and Technology University" and did research work again?

Hsu: At the Huainan Coal Mine, Fang Lizhi and I led an inhuman life for a full 10 months. In 1971, between summer and autumn, we were returned under escort to the "China University of Science and Technology" in Hefei. However, we were still kept in the dictatorship team in the university, and every day we hauled small pieces of coal, paved roads, or cleaned lavatories. We led the life of a criminal.

In September 1971, after the Lin Biao incident erupted, control gradually relaxed. A year later the university authorities announced that the stage of "dictatorship teams" had come to a close. To get rid of the "leftover evil" of Lin Biao, the Chinese communists sent "PLA propaganda teams" to schools to enforce the policy of "giving outlets."

One morning we were taken to a piece of wasteland within the university grounds and ordered to build a brick kiln. This was to be our work place from then on. Then we understood that the "outlet" the Chinese communists had given us was to be coolies for them for the rest of our lives, and with our own two hands dig our future graves! At that time those who were forced to go to the brick kiln to do coolie labor, there were, besides four or five basic "counterrevolutionaries," including Fang and myself, many old "rightist" professors of the China Science and Technology University, who joined the brickmaking coolie team. Among them was a 72-year-old grey-haired professor, Li Xuanyu [2621 1357 1342].

Working in the brickyard expended a lot of physical strength, but the control was much more relaxed than it had been. Every time Fang Lizhi and I saw each other, he would say many times, "Soon! Soon!" His meaning was that Mao Zedong and the Chinese communist regime would soon come to an end!

In 1973, the Chinese communists restarted "open-order scientific research" projects in all universities. Because I had contracted a serious case of gastric ulcer, I was the first to be transferred to the university's Technical Physics Department. The department director at that time was a man named Yang [2799]. He was a fairly knowledgeable man, and he sympathized with intellectuals. Therefore, after half a year he got Fang Lizhi transferred to this department, and he let him return to the lecture room.

Later, we did research in different fields, and before I left the mainland Fang Lizhi never discussed politics with me.

Reporter: In the democracy movement on the mainland, Fang Lizhi has a leadership position. For 2 or 3 years before this, Fang Lizhi severely criticized the Chinese communist administration and Marxism-Leninism. Could he have forgotten the bitter lesson of the past?

Hsu: This is Fang Lizhi's consistent style. He is a man who studies science, and he is used to making the true and the false absolutely clear. It is like getting a grain of sand in one's eye. Even if he could stand it for a

time, in the end he would be unable to tolerate for long things that run counter to truth. Therefore, even if he warns himself not to reveal his feelings and not to speak bluntly, he is unable to restrain the anger in his heart.

Reporter: This year is the 30th anniversary of the "antirightist struggle," and, as it happens, for the second time Fang Lizhi is being persecuted. Could Professor Hsu, from the frame of mind in those years of adversity, conjecture what Fang Lizhi's frame of mind is at this very moment?

Hsu: I believe that Fang Lizhi's frame of mind now is one of both regret and pride. What he regrets is that from 1980 on he went abroad many times to attend meetings, and he had the opportunity to seek refuge in freedom, where he could contribute his physical and mental efforts to oppose communism; but, because he did not seize this opportunity, he returned to the mainland. Now the Chinese communists have revealed their ferocious features to him, and it is too late for him to leave the mainland. However, I also believe that his frame of mind is more one of pride in his own actions, because he gave all his strength to the students of the "China University of Science and Technology" and to all young students on the mainland, and he said what he should have said. For the democracy movement on the mainland, he has kindled the torch of hope and victory.

9727

CSO: 4005/373

REVISED PRC ELECTORAL LAW ANALYZED

Taipei CHUNGKUO TALU [MAINLAND CHINA MONTHLY] in Chinese No 2, 15 Feb 87  
pp 24-26

[Article by Chin Ching-kao [6855 3237 2842]: "Analysis of the PRC's Revised 'Law Governing Elections to People's Congresses'"]

[Text]: Last year, the Standing Committee of the Sixth NPC at its 18th Session on 2 December adopted the revised "Law Governing Elections to the NPC and to Local People's Congresses at All Levels." This year, direct elections will be held of delegates to "people's congresses" in counties and townships. A survey of this legislative revision will be helpful for a more thorough examination of the local changes in the coming elections.

Wang Hanpin's [3769 3352 2430] Explanation of the Revision

On 15 November last year, Wang Hanpin, secretary general of the Standing Committee of the NPC and chairman of its Legislative Work Commission, gave an explanation of the "Draft Resolution for the Revision of the Law Governing Elections to the NPC and Local People's Congresses" at the 18th Session of the Standing Committee of the Sixth NPC, the gist of which was as follows:

1. Simplification of the Procedure for Voter Registration: Wang Hanpin said: "Demands for the simplification of procedures for voter registration had been raised everywhere. The provisions for voter registration have therefore been revised in the draft to: 'Voter registration is carried out by voting districts. The voting right, once registered and confirmed, is valid for an indefinite period of time. Before each election only those shall be registered as voters who have become 18 years of age since the last election and those who have regained political rights on expiration of the period for which their political rights had been suspended. A voter who has moved out of his original voting district shall be registered in the voter list at his new residence.'"

2. On the Nomination of Candidates for Election: Wang Hanpin said that the former election law prescribed: "Any voter or delegate, if supported by three or more persons" may nominate a candidate. The number of candidates directly selected by the voters must be "between one-half to two times" the number of candidates that are to be elected. The draft revises this to "10 or more

voters or delegates jointly may nominate a candidate." The number of candidates directly selected by the voters must be "one-third to two times" the number of candidates that are to be elected. The draft deletes the provision: "If the number of nominated candidates is very large, a primary election may be held."

3. On the Participation of Overseas Chinese in Elections:. Wang Hanpin said: The former election law "had no specific provisions" on the question of participation of overseas Chinese in elections. "During two past direct elections on a lower than county level, some overseas Chinese, who had just returned to China, demanded to vote at the local basic-level elections, and their request was granted locally." To clarify this matter in law, the draft adds the following provision: "Citizens of the PRC who reside abroad and who return to China at the time of electing delegates to people's congresses of lower than county level may participate in the election at their original native places or at the place of their last residence in China."

4. On Voting by Proxy:. Wang Hanpin said: "In principle a voter has to vote in person." If a voter is prevented from voting in person because he is temporarily away from his place of residence, or sick, or due to other special circumstances "he may entrust another voter to vote for him." According to this procedure, it may make it possible for voters at some places to collect many proxies, which could easily lead to malpractices. The draft, therefore, prescribes: "A voter may not accept more than three proxies."

5. On the Number of Votes a Candidate for Election to County and Township People's Congresses Must Receive in Order to be Elected:. Wang Hanpin said: The original election law prescribed: "Candidates for election to people's congresses at all levels must receive more than half the votes of his voting district or voting unit in order to be elected." In actual application of this procedure, there may be fairly large numbers of candidates in one voting district, and the number of delegates who have received over half of the votes of the electorate may be smaller than the number of delegates that have to be elected, making it necessary to have a second and third election. This would entail much work and also adversely affect the voting enthusiasm of the voters. The draft revises this provision into: "In direct elections of delegates to the people's congresses of counties, townships, and towns, the election is valid if more than half of the voters of the voting district cast votes. A candidate is elected if he receives more than half of the votes." When local people's congresses above the level of counties elect people's congresses of the immediately higher rank, the rule is still maintained that the election requires over half of the votes of all delegates.

#### Opinions of People's Congress Delegates on the Revised Election Law

The delegates who attended the 18th Session of the Standing Committee of the Sixth NPC on 22 November last year expressed certain opinions during the debate on the "Draft Resolution on Revising the Election Law." For instance, Geng Biao [5105 7374] (NPC vice chairman) said: "Delegates to the NPC must be politicians or social activists, or at least persons capable of conducting and critically evaluating government administration." Wang Fu [3769 3940] (member of the NPC Standing Committee) expressed his opinion on the basis of

what he had learned on his investigation tours to basic levels: "Some places have voiced the opinion that the number of delegates must not be too large, and that it would be better to have fewer delegates. In some places the delegates hold their position only in name but not in fact. Delegations should therefore be small in numbers but effective." We must strive to improve the quality of delegates. These two items, quality and number of delegates, are key factors. The Chinese Communists did nothing about quality, but they did reduce numbers, giving the following supplemental explanation:

1. About improving the quality of the delegates: This is one of the widespread demands of the democratic movement on the mainland, but no attention is given to it in the newly revised election law. Wang Hanpin only gave a short explanation on 27 December in an interview by XINHUA Agency reporters: "In view of the actual work of delegates to people's congresses at all levels, we must give consideration to improving the quality of the delegates; we must enhance the breadth of knowledge and age structure of the congresses, in order to turn these congresses truly into organs of state power with true authority and capable of exercising the functions and powers granted by the constitution. When deliberating on the nomination of candidates, it was suggested that the nominated person must be capable of social action and critical evaluation of government administration, must be exemplary in observing the constitution and the law, actually perform all duties of a delegate, reflect the will and demands of the people, and participate in debating and deciding major issues. We must not regard appointment to the post of people's delegate merely as an honorary appointment granted out of personal considerations.

2. As to reducing the number of delegates to people's congresses, the revised election law has reduced the number of NPC delegates from not over 3,500 to not over 3,000. Wang Hanpin also said on 27 December: "The standing committees of many provinces, autonomous regions, and directly administered municipalities have also prescribed an appropriate reduction in the number of delegates to people's congresses at the two levels of counties and townships. Actually, the current Sixth NPC has only 2,978 delegates; the Chinese Communists had already cut down the number well in advance.

#### Defects Remaining After the Election Law Revision

The Chinese Communists have indeed proclaimed that the revision of the election law constitutes progress in democratic institutionalization and legalization, also progress in perfecting the democratic election system, that it is expanding democracy and is suited to the current realities of the situation, that it will also well satisfy the current needs to develop socialist democracy, a sound socialist legal system, and that it will promote the smooth progress of socialist modernization. However, from a comparison of the articles of the law before and after its revision we can tell that the Chinese Communists have actually increased restraint on democracy, as is demonstrated in the following:

1. On the rights to vote and to be elected: The Chinese Communists apply the same criteria to the right to vote and the right to be elected, without imposing stricter demands as regards the age, education, and experience of the

candidates for election. This has no other purpose than to enable them to set up mere "manikins." For instance, in the Sixth NPC there are senior middle school students, female night-soil worker Wu Luming [0702 7216 2494], and the likes. As to the provision allowing overseas Chinese to vote when they are back in China, there are no limitations as to length of residence and place of residence. Here the idea of the united front proved stronger than respect for voting rights.

2. Regarding the method of nominating candidates: Most of the electoral systems in democratic countries find it unnecessary to include the method of nominating candidates in the text of the law, but communist countries often devote special sections to the subject, so also Communist China. In the present revision, the Chinese Communists have revised almost the entire text of the chapter, increasing the restrictions on nominating candidates. For instance, it required formerly 3 persons to submit a joint nomination; this has been changed to 10 persons. The number of candidates was reduced from "half to double" to "one-third to double." The primary voting system was abolished. Wang Hanpin had some explanations on this point on 27 December last year, when he said: "All candidates nominated by the various political parties, organizations, or jointly by voters must be listed in a preliminary list of candidates, to be published by the election committee, and must, furthermore, be persons who fully support democracy. They must be the subject of repeated deliberations and consultations among the voter groups of the voting districts in question, and the official list of candidates must be based on the opinion of the majority of voters. Candidates legitimately nominated by joint voters must not be refused listing on the preliminary list of candidates." However, the Chinese Communists will manipulate the "consultation" in such a way that candidates that are not satisfactory to those in power will definitely be eliminated from the official list of candidates. This will achieve their objective of suppressing opposition.

3. As to equality: The four election principles generally followed by people all over the world are, that they must be universal, equal, direct, and secret. The election law originally stipulated that the populace represented by each candidate in the rural areas must be higher than that represented by delegates in the cities. This was an unreasonable point in the law. The Chinese Communists themselves say that it was a measure that had to be adopted to consolidate the dictatorship of the proletariat, and they have also not revised the provision this time.

4. As to the method of voting: The method of voting by proxy, as contained in the present revision, has in most advanced democratic countries been replaced by voting by mail. The Chinese Communists do not adopt voting by mail, merely allow voting by proxy, and regarding this method they also admit that it lends itself easily to malpractices. This more convenient way, though actually creating legal loopholes, is of greater functional value to them than the propaganda objective they want to achieve of respecting voting rights.

5. As to the delimitation of voting districts: The original election law prescribed "Voting districts shall be delimited according to production units, industrial units, work units, and residential conditions." This created great unfairness, and everyone denounced the method very early. It was now revised

to: "Voting districts may be delimited according to residential conditions, but also according to production, industrial, or work units." This is not much of an improvement over the original text. Wang Hanpin has also given no explanation of this point. Whether the Chinese Communists will use this article to manipulate the distribution of delegates will only become clear after the next election campaign has started.

6. As to election activities: In democratic countries, electioneering is at the core of election activities, and there are particularly explicit provisions on this matter in their relevant laws and regulations, strictly limiting the ways election campaigns may be conducted, the expenditure permissible for election campaigns, etc. In the Chinese election law there is only one paragraph which may be considered a provision on electioneering; it reads: "The election commission or the presidium of the NPC must brief the voters or the delegates on the person of a candidate. Representatives of political parties, people's organizations, and voters recommending a candidate may at voter group or delegate group meetings give a briefing on the person of the candidate they recommend. But on election day no further briefing on candidates shall take place." This signifies that the Chinese Communists actually have no electioneering activities, therefore no need to circumscribe activities of this kind in the law. Besides, this point alone is sufficient indication for the fact that whatever democracy and elections the Chinese Communists boast of are merely futile formalities, devoid of any real significance.

9808

CSO:4005/507

## STRUCTURAL REFORM OF PROCURATORIAL ORGANS ADVOCATED

Chongqing FAXUE JIKAN [JURISPRUDENCE QUARTERLY] in Chinese No 1, 10 Feb 87  
pp 70-71

[Article by Cao Haibo [2580 3189 3134], former president of Beijing College of Politics and Law, advisor to the China Law Society, professor; Li Guozhi [7812 0948 2535] assistant professor, Southwest College of Politics and Law, editor-in-chief, FAXUE JIKAN [JURISPRUDENCE QUARTERLY]; Ren Zhenduo [0117 2182 6995] assistant professor, Jilin University; Huo Zhen [7202 7201] assistant professor, Zhengzhou University; Xu Yichu [1776 4135 0443] assistant research fellow, Law Institute, Chinese Academy of Social Sciences; Wang Zhongxin [3769 1813 0207] vice president, Henan College for Political-Legal Administrative Cadres; Li Yuchang [7812 3558 2490] vice chairman, faculty of law, Henan University; Hou Zongyuan [0186 1350 3293] vice chairman, faculty of law, Zhengzhou University; He Kepei [0735 0668 0160] instructor, faculty of law, Henan University; Chen Weidong [7115 5898 2639] teacher, faculty of law, People's University; Zhao Baolin [6392 1405 3829] instructor, Henan College for Political-Legal Administrative Cadres; Gao Guangrui [7559 1639 3843] deputy chief, Scientific Research Institute, Henan College for Political-Legal Administrative Cadres: "Reform of the Procuratorial System--Some Ideas on the Reform of the Procuratorial Organization"]

[Excerpts] During the period from 22 to 28 September 1986, the people's procuratorates of Zhengzhou and Shenyang jointly hosted a Conference for Theoretical Research on the Question of Basic-Level Organization of Procuratorial Organs in 14 Cities Throughout the Country. On being invited, 12 of us, theoretical workers from 8 academic and scientific research units, attended the conference. We deeply feel that with the continuously deepening organizational reform, an increasingly heavier load of responsibilities is placed on the shoulders of the procuratorial organs and that their duties expand almost daily. But judging by the actual conditions under which procuratorates have to work now, they cannot possibly satisfy the needs of the situation as it is developing. We are left with several actual problems that urgently demand resolution. It is for this reason that we set forth the following proposals:



## 1. The Problem of the Legal Position of Procuratorial Organs

According to the provisions of the constitution and according to law, people's procuratorates are China's legal supervisory organ. In the handling of criminal cases by the people's procuratorates there has to be mutual cooperation and interaction with the public security organs and the law courts, to ensure a correct enforcement of the law. However, the state of affairs that prevails now on a widespread scale is that the political and legal commissions have leadership over public security, procuratorates, and judicial organs, and that the head of the public security bureau is concurrently secretary of the political and legal commission. The result of this is that the right of supervision of the procuratorial organs over the public security organs, which is a function laid down in legal provisions, frequently becomes nothing but a mere formality. We therefore believe that the post of secretary of the political and legal commission should not be held concurrently by the chief of the public security bureau, and that there should not be the relationship of leader and led between the heads of the three organs, the public security, the procuratorates, and the judicial organs.

Presently, very strong obstructive forces are felt by the procuratorial organs. Where do these obstructive forces come from? They mainly come from the interference in the conduct of cases by certain leading cadres in the party and in the administration. In some places it has been shown that if a procuratorial cadre holds firmly to the truth, relies on the law, and speaks out frankly, he may sometimes be removed from office or transferred away. The result is: First, procuratorial organs cannot handle cases truly independently, and second, the procuratorial contingent does not possess the required amount of stability. Even with all the oft-repeated injunctions from the CPC Central Committee, the problems has never been thoroughly resolved. We believe the problem can only be resolved by starting out with a reform of the present leadership system. As the leadership system over the procuratorial organs is currently, the procuratorates are often restrained in processing cases by local party and government organs and find it impossible to exercise their procuratorial powers in an independent way. If a system of hierarchical controls would be instituted, with procuratorates of higher rank leading those of lower rank, it would benefit the procuratorial personnel by enabling them to eliminate interferences and boldly proceed with their cases.

Currently, legal supervision exercised by people's procuratorates consists mainly of supervision of law and discipline, supervision of investigations, supervision of adjudication, and supervision of prisons. Although supervision of civil cases has been written into the laws, this work has so far not yet been started. With the ever expanding reform of the economic system, a large volume of administrative laws and regulations is about to be generated, and supervision of administration will also be added to the agenda. This demands that the relevant departments give adequate attention to this matter and as quickly as possible enact laws on the supervision of the administration.

## 2. The Problem of Setting Up Basic-Level Procuratorial Organs

Under the new conditions of opening up to the outside world and invigorating the domestic economy, economic crimes in the economic sectors have greatly increased. These cases have, furthermore, grown more complex and occur particularly frequently at basic-level units. These types of crimes are mostly within the scope of people's procuratorial organs take on for investigation. However, due to the fact that the basic-levels of China's people's procuratorates are set up at the counties (regions) of first rank, there are no procuratorial organs in villages, townships (subdistrict offices), factories, and mining enterprises below the counties (regions), and a large volume of procuratorial work must be taken care of by the county (region) people's procuratorates. This situation has led to the following two conditions: 1) Procuratorial organs without mobility, deaf and blind, deprived of information, so that they cannot in good time gather clues, investigate and dispose of cases, stop up loopholes, and prosecute crimes. 2) There is an "overload of the machinery." To correct this situation, the procuratorates of Shenyang, Zhengzhou, and other places have started to boldly explore possibilities and institute reforms, energetically seeking new ways to resolve the problem of the "legless" procuratorates. They have started out by setting up basic-level organizations of a variety of forms in the subdistrict offices of cities, factories, mining enterprises, villages, and townships of the rural areas. According to incomplete statistics, there are now 33 city and prefecture and 123 district and county procuratorial organs in 19 provinces, municipalities, and autonomous regions, among them Henan, Shanxi, Anhui, Jilin, Liaoning, Jiangxi, Shaanxi, and Jiangsu, and procuratorial organs have been established at over 4,000 state organs, enterprise and industrial units, and villages and townships, for which over 11,000 basic-level procuratorial personnel have been employed. These basic-level organs have developed extremely fast and have rapidly grown to maturity, forming a procuratorial contingent of a special character and playing a role that must not be underestimated. For instance, during the 1 1/2 years of their functioning in Zhengzhou, basic-level procuratorial personnel have produced 559 clues to a variety of cases, participated in 175 proceedings, assisted in the arrest of 71 criminals, and recovered losses of over 4.1 million yuan for the state, the collectives, and for their own units .

## 3. The Problem of Strengthening Theoretical Research in the Science of Criminal Investigation

To achieve a new stage in procuratorial work, it is necessary to intensify theoretical research in the science of criminal investigation, to use theory to guide practice. This is a field in which China's past efforts have been extremely weak; it is a significant defect in the theoretical system of our jurisprudence.

Initiating research in the science of criminal investigation must be ensured by a material foundation that has to come from various different quarters: 1) There has to be personnel; there have to be specialists who will devote all their efforts to this research. 2) There has to be money; necessary funds have to be provided to launch this kind of research.

9808  
CSO: 4005/505

## COLLEGE STUDENTS URGED TO STUDY CHINA'S REALITY

Beijing ZHONGGUO QINGNIAN BAO in Chinese 10 Mar 87 p 1

[Commentary by staff commentator: "Understand the Great Book of China's Reality"]

[Text] In his speech at the 1987 Spring Festival celebration ceremony, Comrade Zhao Ziyang earnestly stated: "I propose that all comrades and friends, who wish that China can be stable permanently, prosperous, and strong, use the stands, views, and methods of Marxism-Leninism and Mao Zedong Thought to conscientiously study China's national conditions." This proposal is very important and worth our careful study and vigorous practice.

What are China's national conditions? They refer mainly to China's history and current situation, China's current development stage, the most basic demands of China's 1 billion people in the current stage, the cultural level and political experiences of the Chinese people, and etc. If we liken China's national conditions and reality to a great book with incomparably rich contents, fully understanding this great book is of paramount significance to comrades that are engaged in theoretical or practical work, especially our young generation, in fully and comprehensively understanding and mastering the basic contents of the party's line adopted since the 3d Plenum of the 11th CPC Central Committee.

We often say that China's reform of economic and political systems is an enormous project of social system engineering. Carrying out this project requires scientific operations, careful planning, and selection of the best plan. And all this must start from China's national conditions and take into consideration factors of all aspects. Whoever forgets this, no matter what his subjective desire is, will lose the objective basis for his stands, ideas, and plans and inevitably run into a stone wall wherever he turns in practice. This is like building a tall building. Only after we fully understand all conditions such as purposes, funds, building materials, geological conditions, construction and technical forces can we propose a more scientific and rational design and construction plan as to how deep the foundation should be dug, how tall the building should be built, and what construction method should be adopted. If we start building without consideration or careful consideration to these actual conditions, we will not be able to avoid mistakes or may even cause the building to collapse and kill people.

Therefore, to fully understand and effectively promote reform, we must not rely only on a good intention and great enthusiasm; we must also have a truth-seeking spirit and a scientific attitude.

Correctly understanding China's national conditions is especially important to the broad masses of youths including students not only because compared to middle-aged and old people, young people generally are inexperienced and have little knowledge of China's history and reality, but also because today's youths have certain characteristics.

Implementing the open-door policy has enabled the broad masses of youths to see to a certain degree the situations of the outside world and come into contact with various new trends of thought and new theories of the West, which undoubtedly is very beneficial to the young generation in facing the world, broadening their horizon, and increasing their knowledge. But, because they are not fully armed with the basic tenets of Marxism, they are often unable to make a full, correct analysis of the multicolored pictures presented before their eyes. Being ignorant of China's national conditions, some youths cannot avoid having all kinds of unrealistic, pedantic views or may even be influenced by the ideas of bourgeois liberalism. For instance, when some people advocated "total westernization," a few young students were quite confused and thought that it was possible for China to copy the parliamentary democracy" of the West. But, if they had a better understanding of China's national conditions, they would have understood that the party's leadership and the socialist road are a historical choice made by the Chinese people during a prolonged process of revolutionary struggle; that departing from the cardinal principles and engaging in capitalist practices in China not only will not succeed but can cause great historical retrogression. Therefore, if the broad masses of youths want to become really mature politically and ideologically, studying and understanding China's national conditions is an indispensable step.

Also, the cause of all-around reform has greatly boosted the broad masses of youths' enthusiasm for the future. Most youths detest malpractices in real life, wishing that they can be eliminated as soon as possible; they also wholeheartedly support reform and the open-door policy and principle, wishing that the progress can be still faster. These are the common desires of the overwhelming majority of youths, which is understandable. But, because they lack a profound understanding of real life and have little social experience, they often tend to oversimplify complicated issues and thus become impatient and extreme about many things. Take the issue of democracy for example. We should say that our current socialist democratic system is indeed not perfect, which is exactly why the CPC Central Committee has seriously proposed that building an advanced democracy be considered as one of our great goals and why it has made great, fruitful efforts in this regard. However, what we want is socialist democracy which is different in nature from capitalist democracy; the goal of advanced democracy which by no means can be achieved overnight must go through a prolonged period of construction; and instead of being handled as an isolated task, it must be developed gradually along with the economic and cultural development of the entire society. These reasons are not hard to understand if we have a clearer picture of our national conditions. We may say that studying national conditions and understanding

reality is the most effective treatment for youthful impetuosity and extremism.

To make the broad masses of youths understand national conditions and reality, relevant leaders should attach great importance to this issue and constantly and promptly inform us through various channels and means of the achievements we made and the difficulties and problems we faced in reform and construction, and what is more important is that youths should work hard themselves. We need to earnestly study modern Chinese history to find out how our country and our nation has developed and progressed step by step in the past century; at the same time, we also need to go down to grassroots units, get involved with the masses, conduct more social investigations, and participate in more activities of social practice to find out what the broad masses of the people are thinking about and understand the actual progress in reform and construction.

Recently, college students across the nation have participated in extensive social practice during winter vacation, and many students feel that they have accomplished a lot. This again proves that integrating with the masses of workers and peasants and with social practice is the only way to young intellectuals' healthy growth. The youths of this generation, especially young students, are enthusiastic about reform and aware of new ideas and have a certain amount of scientific and cultural knowledge. If they can conscientiously study Marxism-Leninism and Mao Zedong Thought, participate in extensive activities of social practice, and fully understand the great book of China's reality, they definitely will overcome their shortcomings, develop their strong points, adhere to the four cardinal principles more voluntarily, have a more comprehensive understanding of the principle of reform, opening to the outside, and invigorating the economy, and thus make real accomplishments in the cause of socialist modernization.

12302

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WAN LI ADDRESSES YOUTH WORKING IN IMPOVERISHED AREAS

Beijing ZHONGGUO QINGNIAN BAO in Chinese 21 Mar 87 p 1

[Speech by Wan Li at the Opening Ceremony for the Nationwide Training of Secretaries of County CYL Committees in Impoverished Areas: "Youth of Lofty Ideas Should Raise the Torch of Struggle Against Poverty"; Date and place not given]

[Text] Comrades: The CYL Central Committee has carried out a very significant task by sponsoring nationwide training classes for the secretaries of county CYL committees in impoverished areas. I am here today mainly to visit you and use this opportunity to extend my warm regards to comrades participating in this study and to the CYL members of impoverished areas.

Due to geographical and historical reasons, some of China's rural areas are still in a stage where people have low incomes and do not have enough to eat and wear. These impoverished areas are mostly old revolutionary bases and areas inhabited by minority nationalities. For example, Dabie, Yimeng, Qinling, Daba, Jinggang, Luliang, Taihang, Wuling, and Jiuwanda mountains are mostly impoverished areas. These old revolutionary base areas have made great contributions to China's revolution and construction. Since the 3d Plenum of the 11th CPC Central Committee, China's rural areas have witnessed drastic, historic changes, faster developments, and gradual improvements in peasants' living standards. But, in the old revolutionary base areas people still do not have enough to eat and wear. This reality often disturbs us.

The CPC Central Committee and the State Council have attached great importance to the economic development and expansion of impoverished areas. The State Council has specially established a leading group for economic development in impoverished areas and drawn up, in accordance with many years of experiences and lessons in anti-poverty work, basic principles for developing the economy in impoverished areas. The State Scientific and Technological Commission has also formulated the spark plan to replace the previous method of simple relief with the new method of economic development. Its main goal is to solve food and clothing problems for most people in impoverished areas and help these areas develop a beginning level of self-development ability to gradually eliminate poverty and backwardness. To realize such a goal, impoverished areas must work hard and all strata of society must centralize a definite amount of labor, material, and financial resources to actually help these

areas get rid of poverty and reach prosperity, which is the due responsibility of our party and socialist system.

There are mainly two characteristics of impoverished areas: one is the lack of talented people and updated S&T knowledge; the other is the lack of transportation, communications, and energy construction projects. The CYL is an indispensable force in solving this problem. Why? Because, I think, there are two main reasons. First, the CYL is bold in practice. It is a fact that our CYL organizations at all levels have contributed to ideological and material progress over the years. May we say that most, if not all, CYL organizations have played their role as the party's assistant and reserve force as is described in the party constitution? As I understand, the CYL-organized greening campaigns and activities designed to help rural youths learn practical skills and organize teachers and students to help the poor during summer and winter vacations are all very good. Practice has proved that the CYL is indeed an important force. Second, the CYL is superior. Comrade Song Defu [1345 1795 4395] just now covered three points in this regard. As an advanced youth mass organization, it is important for the CYL to be superior ideologically and intellectually, namely in science and culture. In rural areas, young people are better educated, ideologically more active, bolder in blazing new trails, and quicker to accept modern science and culture and to establish the commodity production concept. They are also the most active productive force in rural areas. These two superiorities, if properly developed, will become a decisive force in developing the economy of impoverished areas and guiding the youths of these areas away from poverty and toward prosperity. All youths of lofty ideas, especially those in impoverished areas, must raise the torch of struggle against poverty and backwardness and have a great sense of dedication and responsibility while serving as a leader in publicizing party policies, learning science and technology, spreading production information, opening up production channels, and developing commodity production in the great cause of economic development in impoverished areas. In short, they should serve as a leader in helping people become rich through hard work, turning the poor into the rich, and advancing toward common prosperity. They should use their superiorities to carry out the great practice of turning the poor into the rich and depend on their own hard work for creating a prosperous and happy future.

I want to emphasize here that when the CYL takes part in the economic development of impoverished areas, they should focus on two tasks. One is to do a good job in youths' intellectual development. Developing impoverished areas is a complicated project of system engineering which calls for consideration to the rational combination of various elements, but the most basic element is to train and cultivate a group of talented people. We may say that the economic revitalization of impoverished areas depends ultimately on the emergence of many generations of modern peasants. Because of this, vigorously and effectively training many groups of educated young laborers who have certain vocational skills and managerial ability is an important insurance for the economic development and steady economic growth of impoverished areas. The CYL should continue to organize through various channels, means and methods, youths to learn practical skills and administrative and managerial knowhow on the production of various commodities. The other is to consider local conditions and be practical and

realistic. They should work out practical and feasible plans and carry out effective work around economic development. The CYL Central Committee has suggested that we carry out "small-scale development" in impoverished areas, which is very practical. The economic development of impoverished areas ought to be based on local resources and start with projects that require little investment, yield quick results, and can be easily popularized. If youths can do a good job in this regard, they will make a real contribution to turning the poor into the rich.

The party and the state have great expectations on the young generation in the great cause of reversing the backwardness of impoverished areas. I believe that this training class will serve as a good beginning and that after this training you will be able to guide, under the leadership of local CPC committees, the broad masses of CYL members and the people in fully developing socialist superiorities and the CYL's spirit of blazing new trails, working hard, and serving the people and work hard to strive to make more practical and effective contributions to changing the backwardness of impoverished areas. I wish you complete success in the training.

12302

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## CONFLICTS IN FINANCIAL REFORMS

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 3, 20 Mar 87 pp 54-58

[Article by Wu Jiesi [2976 2212 1835] of the Survey and Research Department of the Industrial and Commercial Bank of China, Head Office: "Conflicts in Reform of the Financial System and Their Solutions"]

[Text] I. Reasons That the Current Financial System Is Unable to Play Its Full Positive Role

The series of reforms of the financial system over the last few years has achieved a certain amount of success, but there are still problems, such as arbitrary uniformity in macrocontrol, local imprisonment of funds, enterprises eating out of the banks' "big pot of rice," specialized banks eating out of the People's Bank's "big pot of rice," poor results from use of funds, etc. The current financial system is still unable to play a relatively positive role, and following are some of the principal reasons for that.

1. Banking institutions are set up hierarchically according to administrative divisions, so that the credit funds management system objectively hinders the horizontal circulation of funds. The main characteristic of the current administrative system is that local governments are directly involved in production, and the rate of increase in production in the administrative area under them is an important indicator used by the higher-level government to evaluate the success of the lower-level government. Local governments concerned with production must be concerned with money, and a concern with money requires being concerned with banks. Correspondingly, both the People's Bank, serving as central bank, and the specialized banks are set up according to administrative divisions, and the new banking system has still not divorced itself from the old model, with a banking institution corresponding to each level of government. With such a model, it is very difficult to keep local governments from interfering at each level in the distribution of bank credit funds, to the extent that these funds are viewed by local governments as capital for developing the local economy. The relative lack of independence of this funds management system from the central bank, combined with the specialized banks still not truly being special enterprises dealing in currency, means that the grassroots institutions of the People's Bank and the specialized banks are very local in nature. Although interbank borrowing activities are now being carried out across administrative regions, the

purpose of that borrowing is to expand the scale of local lending, and it is not able to substantially alter the local imprisonment of credit funds. In such a situation, it is very difficult to increase the benefits of using credit funds.

2. The problem of enterprises eating out of the banks' "big pot of rice" for their funds has basically not been solved. The investments of a given enterprise over a certain period of time may be less than its own savings, but if we look at the many enterprises in society as a whole, their investment over a certain period of time will always be greater than their own savings. Therefore, we cannot expect enterprises to rely entirely on their profits after taxes for providing funds to meet their needs in circulating funds for normal occupancy. In societies with developed commodity economies, enterprises mainly issue their own shares and bonds and take long-term loans from banks in order to meet their need for long-term occupancy of circulating funds; of these approaches, issuing shares and bonds is the major means for the enterprise to provide for long-term occupancy of circulating funds. In many countries, only about 10 percent of enterprise circulating funds come from bank lending. China has no long-term money markets, and bank loans account for nearly 80 percent of enterprise circulating funds. Banks having exclusive management of circulating funds is in essence like their being sole contractors of circulating funds. On the one hand, this situation means that enterprises are forced to get far behind in their bank loans, or they take on new debts to pay old loans, so that they are always short of funds; on the other hand, it also means that the banks actually have an obligation to provide circulating funds to enterprises, setting the stage for getting an inflow of credit funds into those sectors or enterprises with poor economic results.

3. Specialized banks and other financial institutions lack the drive and vigor to pursue the profitability, circulation, and safety of credit funds; the passively formed credit funds structure has determined the poor results of using funds. China's current specialized banks and the many newly established financial institutions are not economic entities that truly operate autonomously and take responsibility for profit and loss; they still adopt the administrative approach in their management of finances, funds, wages, and cadres, and in their institutional setup. Their interests are detached from the benefits of using credit funds, and hence they lack the internal drive and vigor to improve the results of using credit funds. At the same time, with the enterprise bankruptcy law not yet fully implemented, loans by specialized banks do not run the risk of becoming bad debts. This situation, combined with the banks' exclusive control over circulating funds, means that the operative goal of grassroots institutions of the specialized banks and other financial institutions is to meet enterprise demand for loans within their administrative region; the profitability, circulation, and safety of credit funds is only a secondary issue.

With the grassroots institutions of the specialized banks having as their operative goal the maximization of the scale of loans within their own administrative region, the structure of credit funds is basically determined by noneconomic factors. The structure of investment in capital construction by local financial departments and enterprises, created under the administrative

interference of local governments in years past, determined the current credit funds structure. An investment policy determined on the basis of such main goals as developing the local economy and easing unemployment generally does not jibe with the distribution of society's productive forces as a whole or with the need to rationalize the industrial structure. Once an irrational investment has been turned into production capacity, the direction of the local bank's credit funds will necessarily have to be adapted to that capacity. At the same time, the lack of enterprise-style management of the specialized banks and other financial institutions combined with local governments pursuing ultrahigh-speed economic growth under a compartmentalized financial system means that the structure of credit funds is entirely determined by the current industrial structure. On the one hand, this situation causes a great deal of credit funds to be held up within a few enterprises having poor economic results producing goods that are in oversupply; on the other hand, it also means that some enterprises having good economic results producing goods in short supply are unable to satisfy their demand for credit funds. This lowers the whole society's benefits from the use of credit funds, and it creates a structural shortage of credit funds.

4. No competitive environment has been created, and a high degree of monopolization has lowered the economic benefits of financial activity. Having many banks dealing in the same operations within a limited space is a necessary condition for the creation of financial competition. China's four large specialized banks are currently highly monopolistic, both in terms of space and of operations: The Industrial and Commercial Bank occupies the cities, the Agricultural Bank occupies the villages, the Bank of China monopolizes foreign financial operations, and the Construction Bank has exclusive control over fixed-asset loans. Merely overlapping the spaces and getting each specialized bank to handle a few operations it is not skilled at are not enough to alter the monopolistic situation and create a fully competitive environment. The newly established financial institutions are severely restricted in their business scope by the People's Bank; their operations are strongly reined in by the monopolistic environment, and they have difficulty sending out a new force. With this high degree of monopolization of financial services, most enterprises have no margin for selecting a bank, much less autonomy in short-term borrowing.

5. No mechanisms for indirect financial macrocontrol have yet been formed, and direct administrative-type control necessarily leads to arbitrary uniformity. Changes in the prices of commodities and funds are the signalling system of indirect financial macrocontrol; pursuit of their own economic interests by individuals and enterprises is its motive system; pursuit of circulation, profitability, and safety by specialized banks and other financial institutions is its conduction system. The signalling, motive, and conduction systems are combined into a mechanism for indirect financial macrocontrol, and the central bank's monetary policy is able to play its normal role only as part of a complete mechanism. For example, in a commodity economy and society with highly developed monetary credit, if the central bank raises the rediscounting rate, the increased cost of funds may compel commercial banks to raise their loan interest rates and to adopt a cautious attitude towards loans; by leading to higher average interest rates in society, raising the loan interest rates may lower the prices of negotiable

securities, while at the same time reducing enterprise demand for loans because of the higher cost of funds; a decline in the prices of negotiable securities may induce enterprises and individuals to invest in them, cutting back on demand for social commodities; reduced demand may compel enterprises to cut back on the scale of material investment, thereby easing pressure on the commodities market. By means of this process, the central bank's policy of raising the rediscounting rate achieves the goal of reducing the scale of credit and social demand. This type of mechanism for indirect financial macrocontrol has basically not been created in China, so that the central bank can only adopt administrative measures to assign relending quotas by administrative region, which necessarily results in a mad rush to ease the money supply; with an across-the-board tight money supply, it is impossible to achieve a mixture of tight and easy money and differentiated treatment of individual situations.

## II. Conflicts and Conditions Faced by Reform of the Financial System

It is undoubtedly proper to place the focus of financial system reform on perfecting indirect financial macrocontrol, invigorating the specialized banks and various financial institutions, and developing money markets; however, in implementing reforms in these three areas, we may encounter some unavoidable conflicts.

1. Reform of the funds management system is hindered by the current administrative system. Reform of the funds management system is an important condition for developing money markets, invigorating specialized banks and other financial institutions, and perfecting indirect financial macrocontrol and is a key element in reform of the financial system. However, in the current banking system, the People's Bank and the specialized banks basically cannot be set up according to economic regions, and the funds management system, characterized primarily by the distribution of credit funds according to administrative divisions, has not created the basic material conditions for reform. With the funds management system being one of local imprisonment of funds, large-scale, frequent interbank lending activities spanning administrative regions cannot occur, and lending markets and note discounting are also difficult to create within economic zones focused on the central cities. Without changes in the funds management system characterized by local imprisonment of funds, the behavior of the specialized banks cannot be shifted from the pursuit of maximized lending over to the profitability, safety, and circulation of credit funds, and genuine enterprise-style management cannot be achieved. At the same time, it will also be impossible to change the approach of using direct financial macrocontrol by raising or lowering relending quotas according to administrative divisions.

2. Enterprise-style reform of the specialized banks and increasing the variety of financial institutions may well reinforce interference by local governments with the banks, and other aspects of the current economic system may also work against them. First, with no major changes being made in the national banking system, subjecting the specialized banks to enterprise-style reform can only proceed by invigorating the grassroots banking institutions, i.e., turning over comprehensive authority to the city offices and county branches of the specialized banks, and running them as economic entities that

are "autonomously operated, with responsibility for profit and loss and independent accounting." Theoretically, this may increase the vigor of the grassroots institutions of the specialized banks and increase the benefits of using credit funds. However, considering the function of local governments in engaging directly in production and the current situation in which the grassroots institutions of specialized banks are set up according to administrative divisions, this may result in all these grassroots institutions becoming appendages of local government, and the local imprisonment of funds may become even more severe, which will make it all the more difficult to achieve financial macrocontrol. Second, with enterprise groups not being allowed to engage in banking operations, it is only the local governments and the various existing national banks that have the capacity, the funds, and the reputation to run the various financial institutions. It is basically impossible to turn the financial institutions run by local governments into for-profit commercial-type banks, and it is also difficult to divorce the financial institutions run by specialized banks from their parent models. Therefore, if we rely entirely on local governments and the existing specialized banks to achieve a greater variety of financial institutions, the outcome of "reform" will necessarily become the target of reform, and the anticipated goals will not be reached. Finally, enterprise-style reform of the specialized banks will ultimately be restricted by the present financial system, the wage control system, and the ownership system. With no other complementary reforms, and especially if we are unable to solve the problem of separating ownership from management authority, all current short-term activity by enterprises will occur in the banks, and short-term activity by banks will have an even more unfavorable impact on the economy.

3. Opening long-term money markets may increase the difficulty of controlling the scale of investment in fixed assets. Certain conditions must be present in order to open up long-term money markets. Only when commodity prices are able to float with changes in supply and demand, when the owners of funds understand risk and the behavior of the users of funds is normal, when interest rates can float with changes in supply and demand, and when economic legislation is more or less complete can the direction of long-term funds be adapted to the need for coordinated development among all sectors, can the supply and demand of long-term funds, investments in fixed assets and circulating capital, the scale of capital construction and society's capacity to support it be put in balance. As China does not yet meet these conditions, it is absolutely necessary to exercise stringent control over fixed-asset investments and to concentrate policy-making authority over capital construction in the hands of the state.

### III. Basic Thinking on Reform of the Financial System, and Key Proposals

Given China's actual conditions, I believe that our basic thinking on reform of the financial system should be as follows:

1. The overall goals for reform of the financial system should include promoting the horizontal circulation of funds, putting an end to enterprises eating funds out of the banks' "big pot of rice," increasing the vigor of specialized banks and other financial institutions, and creating a suitably competitive environment and perfecting indirect financial macrocontrol. Each

of the major reform measures must at the same time take into account these five mutually conditioning goals; reform measures aimed solely at one or another of these goals will not only make it impossible to reach the anticipated target but may also have an adverse impact on economic growth.

2. Restructuring of the banking system would be a breakthrough for reform of the financial system. Banking institutions are the primary entities for lending and investment in the financial realm. Therefore, having a rational banking system and normal behavior by banking institutions is a precondition for normal operation of the financial system. Carrying out reform of the financial system without major changes in the current banking system will make it very difficult to give equal attention to the above five goals.

3. The ideal financial system model should have China's actual conditions as its backdrop. Under China's conditions of a socialist commodity economy, a completely competitive environment cannot appear. China's financial system should, and can only, exist in a suitably competitive environment in which the market, as the "invisible hand," and planning, as the "visible hand," are organically integrated.

Based on the above basic thinking, I propose adoption of the following reform measures.

1. Strengthening the large, national specialized banks and at the same time establishing small, local commercial banks are mutually conditioning. With local governments engaged in economics, if small, local commercial banks are not established and local governments do not get involved with the existing specialized banks, they have no other way out, and the specialized banks necessarily fall into difficulties over funds, so that the specialized banks and the grassroots institutions of the People's Bank may in essence become the central banks for local banks and governments. This approach is less desirable than establishing small, local commercial banks. This will make it possible to organically integrate the operating results of local banks with local economic development and local financial income, so that local governments become concerned with the operating results of local banks; it will also make it possible to free the specialized banks from the mire of having complete control over enterprise circulating funds and set the stage for running them as large commercial banks that are genuinely operated as enterprises. Therefore, with it being difficult to alter quickly the involvement of local governments in economics, adopting this measure is the only means of reducing to a minimum the administrative interference of local governments in financial activity. In adopting this measure, care must be taken in the following areas: 1) In order to give breathing space to small, local commercial banks, the specialized banks must part with some of their institutions and turn over some of their activities. 2) By means of such methods as central bank relending limits, stipulating the percentage of self-owned funds in loans, and stipulating that each loan should not exceed a certain percentage of self-owned funds, the business scope of small, local commercial banks should be limited to a range that is insufficient to squeeze out the large, national commercial banks. 3) The small, local commercial banks should form banks under the joint-stock system, using such methods as individual stocks and participation by local governments, large enterprises, and the state banks,

and they should operate entirely as enterprises. 4) Using such approaches as reinforcing system management, instituting operations and accounting by level, and centralizing the control of funds and financial and personnel management, the existing specialized banks should be run as large commercial banks whose purpose is to pursue profitability, safety, and circulation, while ensuring that state industrial policies are implemented. They should no longer distribute credit funds according to administrative divisions; they should be able to freely determine the regional and sectoral structure of the credit funds they distribute, in accordance with the principle of economic benefits. 5) The business and operating spaces of large commercial banks should be allowed to overlap with those of other large commercial banks and with those of the small, local banks; banks should be allowed to select enterprises, and enterprises should be allowed to select banks.

2. The large, national commercial banks should be made an important tool for implementing state industrial policy. Generally, speaking, the central bank's monetary policy only affects the scale of credit, while credit structure relies on spontaneous market effects to be regulated. In China, on the one hand, the intensification of reform has been characterized by investment policy becoming scattered, forms of investment becoming more varied, and the creation of more sources and channels of funds; on the other hand, market mechanisms are still not complete, the price system is irrational, the interest-rate system lacks flexibility, the planning system still has defects, enterprise behavior is still not normal, and economic legislation is still incomplete. Under these circumstances, there must be an overall industrial policy integrating linearity (different policies for different sectors) and stratification (different policies at the central and local levels and for different regions), and the policy should be implemented through all channels, so that, while the microeconomy continues to be invigorated, indirect macrocontrol over economic activity can be strengthened, total social supply and demand can be balanced, the industrial structure and distribution of productive forces can be made more rational, and the direction of financial, physical, and human resources can be matched to the objective requirements of economic growth. Legal and administrative responsibilities of the large commercial banks in implementing and carrying out state industrial policy should be clearly spelled out; running them as large commercial banks pursuing profitability, safety, and circulation for credit funds, while ensuring that state industrial policies are implemented, is an effective means of solving the problem of arbitrary uniformity in state monetary policy.

3. The capital and debt situation of enterprises should gradually be solved by developing money markets. China's short-term money markets are currently limited by the low volume of funds exchanged, few enterprises participating in trading activities, short-term loans consisting primarily of interbank lending, and the purpose of borrowing being primarily the expansion of local loans; the long-term money markets suffer from the fact that issuing notes and bonds constitutes the source of funds for expanding capital construction. In addition to enterprises eating out of the banks' "big pot of rice," the high degree of monopolization of financial activity, abnormal behavior by the specialized banks and enterprises, and problems in the investment management system, the reasons for this are closely related to our guiding ideology, which holds that the purpose of developing money markets is to raise more

funds. Only when a given amount of funds corresponds to a given amount of productive factors do the funds have value. In a highly developed commodity economy and society, the significance of money markets lies not in raising more funds for society as a whole but rather in providing propitious conditions for the rapid, regular shifting of productive factors among the various sectors of the national economy. In China, in addition to promoting the horizontal flow of productive factors, opening money markets has another extremely important goal, that of setting the stage for changing the way enterprises eat out of the banks' "big pot of rice," turning enterprises and banks into genuine socialist commodity producers and operators. To this end, in the area of developing short-term money markets, in addition to continuing to perfect the interbank lending market we should also treat the creation of trade in commercial and bank notes and discounting markets as an important reform measure, to get enterprises, especially large and medium-size enterprises, to participate directly in short-term money-market activities, so that they can achieve true autonomy in raising and utilizing funds and bear the risks of using those funds. In the area of long-term money markets, while strictly controlling the scale of social fund-raising, we should have banks issue long-term bonds on behalf of enterprises, and use these to make up any shortfalls in the enterprises' circulating funds, so that some of the circulating funds occupied on a long-term basis by enterprises can be freed up through direct credit, dispersing enterprise operating risk throughout society and substantially altering the debt structure of enterprise funds. Issuing shares to raise funds can be carried out gradually as the enterprise joint-stock system progresses, but, for now, it should be strictly controlled.

4. The financial activities of the various institutions under the People's Bank should be subjected to stratified regulation and control. It will be difficult in a short time to change the current situation of People's Bank institutions being set up according to administrative divisions. Considering this, if we want the central bank to apply mainly economic methods to achieve indirect regulation and control of macrofinancial activities, we must reform the People's Bank's internal management system at the same time as we proceed with the above reform measures. 1) Gradually transfer relending quotas downward and control them hierarchically according to different loan targets. Specifically, the bank's head office should relend directly to the head office of the large, national commercial banks, according to the demands of the overall balance of the national economy; the primary branches should relend directly to the small, local commercial banks in the cities within the administrative region, according to actual conditions; the secondary branches should relend directly to the small, local commercial banks in each county in the administrative division, according to objective need. 2) The People's Bank should use a certain percentage of its relending to participate directly in short-term lending activities; at the same time, it should conduct rediscounting operations at all levels. The interest rates on relending and discounting in the market should be determined by the market, so as to achieve the goal of holding down the price of market funds. 3) The tertiary branches of the People's Bank should focus on managing money markets, implementing financial regulations, monitoring the behavior of participants in financial activities, and gathering and disseminating financial information.

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## YU GUANGYUAN DISCUSSES ECONOMICS, ORGANIZATIONAL REFORM

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[Speech by Yu Guangyuan [0060 0342 6678] of the Chinese Academy of Social Sciences, given 31 October 1986 at the Southwest China College of Finance and Economics, prepared by Dan Lisha [0830 7787 5446] and Zhang Youshu [1728 0645 2885] from a tape recording: "Some Views on the Field of Economics and Organizational Reform"; questions from audience within quotation marks]

[Text] We cannot say that you will be listening to a report at our meeting today, because there is no set topic. Let's just call it an answering session, where I will answer your questions. The advantage of this is that we can each know what the other is thinking, and I will be able to understand your problems.

"The first question is how to set up the field of socialist political economics? Some people think that since the development of socialism has a short history, the time is not yet ripe to systematically set up this field of economics. What is your opinion? Some people suggest that there are three main schools of economics in China. The first relies primarily on Western economics, the second relies primarily on East European economics, and the third relies primarily on 'Das Kapital.' How do you evaluate this suggestion? You have previously stated that 'Das Kapital' cannot solve all the problems of socialist development; could you please go deeper into this."

First, I disapprove of using the term "socialist political economics," so I disagree with the way you have put this question. I have merely proposed discussing the "socialist branch of political economics," so I disagree with talking about "socialist political economics." I am not saying that we should never use the term "socialist political economics"; instead, I believe that socialist political economics should include the study of capitalism. This is Lenin's viewpoint, and I agree with him. Capitalism is the object of study in the capitalist branch of political economics, and socialism is the object of study in the socialist branch of political economics. The "socialist branch of political economics" is a term that I have proposed, and it has been accepted in many countries. But there still is not much unanimity of thought on this question of terms. I believe that the term "socialist political economics" is not too scientific.

Second, the question of how to set up the field of socialist political economics. What do we mean by "field"? This in itself needs to be studied. Is there a single scientific definition of "field," which only permits one interpretation? I do not think so. Because the basis of people's research is different, they end up with different ideas. Whether we can bring the results of current research together into a fairly complete system is a relative matter. Since 1956, when the CPC Central Committee entrusted me to write a book on the socialist branch of political economics, I have written the drafts for a few books. But until now I still have not been able to come out with the outline for writing a book. The reason is that there are many issues I am unclear about and have not studied. As a result, I still have not discussed the question of what a field is. I feel that maturity is irrelevant to this question; a system can exist even if it is immature. It all depends on whether the individual considers himself capable of discussing the subject systematically. At present, the very mature socialist political economics still has not been able to establish itself as a field in itself. The way I see it, it will not be able to do so in the immediate future. Take the capitalist branch of political economics. Marx really did not finish writing about it. Even with three volumes of "Das Kapital" and "The Theory of Surplus Value," his work was still incomplete. This can be seen from Marx's writing plan. The writing plan included things like the state, government finance, and the world market, but he never wrote about them. The scope of economics is truly vast, and it definitely is no easy thing to write about all problems in one work. Marx spent most of his life and energy on research, and yet he was unable to complete the work. The results of my research are really not very well suited to writing a book with Chapter 1, Chapter 2, and so on. The reason is that I am in the middle of thinking about many problems, and some problems I have yet to study; likewise, I have not thoroughly studied the works of others or works by foreigners. The lack of research, the gaps in my research: these are the obstacles to my writing a book. But as long as I keep probing things, there will always be some progress.

One of my fundamental perceptions is that we need not be slaves to writing our own books. I have observed the following situation: someone puts out some energy and attains a certain perspective. But after he writes a book, he becomes its slave; he cannot get away from it, he cannot criticize it, he cannot analyze it. His thinking just stops. One of my maxims is that whatever I have written about has been subjected to my criticism. My understanding of many problems has been continuously distilled from criticism. For example, I have been through four stages regarding the law of planning in the socialist system. The first stage was when Stalin's "Economic Problems of Socialism in the USSR" had just appeared. Due to unemancipated thinking and the lack of critical ability, I accepted this formulation of the law of planned (proportionate) growth. By 1956 I felt that the law of planned (proportionate) growth was formulated wrong. How could planned growth be the same as proportionate growth? The law for proportionate growth of the national economy is a natural economic law. The national economy must be proportionate, because a proportionate relationships always exists between various sectors. It is just that capitalist society, according to the classical view, reaches this proportion through crisis and anarchic competition, whereas socialism stipulates the proportion by prior formulation of a plan, enabling the national economy to grow in a planned and

proportionate manner. So in the second stage, I believed in the law of planned, proportionate growth; this was before the Cultural Revolution. After the Cultural Revolution, I discovered that there were still problems with this theory, namely, that the scope of the law of planning had been greatly reduced. This was because many things are not proportionate, and so did not come into the picture. Take the urban economy. Looking at a map of China, where should we establish cities, and what should the development plan be for each city? This is a question of locating production and locating cities. It is not a question of proportion or proportionate relationships. Our interpretation of the law of planned growth was too narrow, and so we regarded matters of balance and proportion as the only content of planning. As a result, until now China does not have a single city development plan. This has just let Mexico get ahead of us. As another example, we are currently engaged in planned reform. But where's the proportion? Reform and the development of production are not proportionate relationships. Consideration of these facts brought me to the third stage, which we can call the law of planned growth. The law of planned growth includes the law of planned, proportionate growth; the law of planned, proportionate growth is still an important question, but it is not the only question. After entering the third stage, I got to thinking that it was not right, because the theoretical basis of this law is that planned growth can only exist in the socialist system. Let's illustrate this with our behavior. Conscious behavior is not the same as goal-oriented behavior, and goal-oriented behavior is not the same as planned behavior. Planned behavior on occasion or with some limited matter is not the same as planned behavior in everyday social and economic life. Planned behavior in social life should be divided into planning in its ancient sense and planning in its modern sense, and the modern meaning of planning may also be separated into the planned nature of the capitalist system and the planned nature of the socialist system. Therefore, the current understanding of this law is that the law of planning in the socialist system should be the law underlying the planned nature of the socialist system. I have given some consideration to what the planned nature of socialism actually entails, but I need to go into it more deeply and let my thoughts develop.

As far as I am concerned, the most important thing now is to study the various problems of political economics, and not to try to establish a separate field. That is why I have done a wide variety of things in the past few years. I got myself into trouble by lecturing every 2 months in Beijing on the socialist branch of political economics. At the start these talks were called "lectures on the socialist branch of political economics." Later on, I could see this would not do, I could not give this sort of lecture, and so I changed it to "lectures on questions in the socialist branch of political economics." I have already lectured nine times; each time I discuss my new perceptions and raise new questions. I have brought my lecture notes for these nine lectures to present to you in the College of Finance and Economics; in the future they may be included in my collected works. I am currently systematizing the contents of various forms of economics and their interrelationships; I am trying to write a decent book in the remaining years of my life.

As to how many schools actually exist in Chinese economics, the question's division into schools definitely does not accord with the situation in China. I also do not know which school I belong to. I have always been thought to be

a school of my own, but I do not know which one it is; none of the schools have a place for me. Everyone, especially young comrades and those in teaching, needs a book with Chapter 1, Chapter 2, and so on. They do not like to read theses, but I support writing a thesis. Writing a thesis is the foundation for writing a book; a thesis is a way of publishing new perspectives. That is why I am currently writing a book. I have adopted a special approach in the two volumes I am editing on the socialist branch of political economics. I found a number of young comrades to write one volume, and invited a number of middle-aged teachers to write the other volume. Work on both books is going on at the same time. The authors themselves are responsible for these two books; I just provide guidance for their ideas. After the young people have finished their draft, it is given to the middle-aged people for criticism; similarly, after the middle-aged people have finished their draft, it is given to the young people, who are asked to write a critique. The critique cannot be longer than one-eighth of the original book. Let's say this book has 240,000 printed characters, then the critique cannot be over 30,000 characters. I will write an even shorter commentary, no longer than one-eighth the length of the critique. It will be published together with the main text of the book and their critique. Within one volume there will be three perspectives: that of the authors, that of the authors of the other volume, and mine. We will try to have both books come out at the same time. What is this then? It is "inciting the masses to struggle among themselves." They will be "struggling" away, while I will wait until they are finished struggling and then write my opinions. This is the method of "gaining every advantage through trickery." If I were to write the book, then people would want to struggle against me. Of course, I don't fear that; there will always be people who want to struggle against me. In this case, what should our attitude be? If we say that there are three schools, that will not hold its ground. So, in my opinion, the school which relies primarily on Western economics cannot put together a book like that of Marxist political economists. It would be very hard for the West to lump a lot of things together and produce a book with a consistent perspective. This is true of East European economics, and also of "Das Kapital." My opinion is that these three schools cannot exist. We currently need knowledge from all sides. One of my weak links is that I have not studied much Western economics. I am not an economist by training, and perhaps I cannot compare with you students. You have read quite a few books, but I do not have much time to read books. That is why I do not dare to make rash judgments of things I am not too familiar with. I am a bit more familiar with "Das Kapital," but I am not familiar with countries of Eastern Europe and the West. In many cases now we are making good use of the chance to debate with the countries of Eastern Europe and the West. We can call this tossing a stone ahead to feel out the condition of the road, or firing on the enemy to observe his actions; let's see how much stuff you really have. I do like to debate other people. A feature of economics is that every economist has his own positions and ideas.

As to the inability of "Das Kapital" to solve all our problems, I think this is correctly stated. "Das Kapital" is one of the classics, but even if we put all the classics together, they could not solve all of the current problems. As long as there is just one problem the classics cannot solve, this statement is logically sound. That is why the RENMIN RIBAO commentator said that the classics cannot solve all problems. We need to solve today's problems today;

how can "Das Kapital" solve them? When we write books now, we certainly are not trying to solve any of the problems of 100 years from now. But we can learn a great deal of theory from "Das Kapital." It is the basis for our study of problems. Today we should be learning the capitalist branch of political economics, and we should learn from studies of China's socialist development. This is because: 1) China is not alone in this world of ours. We want to deal with the many capitalist countries in the world. Will it do for us to not understand the capitalist branch of political economics? Of course not. 2) China also has capitalist elements, derived from the old society. It won't do at all for us to not understand capitalism. We also cannot say that there are currently no elements of the capitalist economy, and so how can we say that a profound, tightly organized, scientific book like "Das Kapital" is of no use? A problem now is that when we say that the classic works cannot solve all problems, it is just as if we are belittling Marx's works and departing from the principles of Marxism. This is absolutely wrong. We want the works of Marx to serve as the foundation for our study of real problems, to bring Marxist political economics to the level at which it can solve the many problems of today. If this is not done, our Marxism will be obsolete. Therefore, the resolution of the Central Committee on the development of spiritual civilization stated that viewpoints which are divorced from practice, development, and creativity cannot be considered as adherence to Marxism. I believe that Marxism has developed and been created through practical experience. We need to rely on ourselves to develop Marxism, to further refine Marxist theory, and to clothe Marxism in the fashion of the times.

In the past few years we have not said much about political economics. Although some authoritative books have come out, there has not been development, especially with regard to the commodity economy, which is the question of a market economy. There is no point to trying to distinguish the two terms "commodity economy" and "market economy," since commodities are goods produced for the market. Our present affirmation that the socialist economy is still a commodity economy is a development in socialist economic theory. But there are still problems in how to interpret this development. We have reached a high level unattained by foreign economists, including Western and East European economists. They merely talk about integrating the planned and market economies; they have not pointed out, as we have, that the socialist economy is a commodity economy. We no longer face the question of integration. We have merely had some developments, but they do not go far enough. The relationship between planning and the market, for example, has not been studied sufficiently.

"The second question is the thinking on reform of economic organization. One set of thinking supports starting with macroeconomic stimulation. What is your opinion? There is one point of view in the academic world that believes the key to reform of economic organization is reform of the system of ownership. What do you think? How do you evaluate trends in the reform of China's ownership system?"

First, we should analyze the concepts of economic organizational reform. I am reminded of a book for which I was the chief editor, "Basic Readings in Socialist Economic Development." They did not approve of this title, saying

that people would not be impressed by such a title. I know quite well that if we had called it "Outline of Economic Development," people would have been impressed. But I insisted on using this title, because the contents of the book should be "basic" knowledge. In fact, this book contained many of my new ideas; for example, the concept of economic organizational reform being divided into three separate concepts: economic organization, economic system, and basic economic system. We can talk about organization or the basic economic system--they both fall in the category of system. The basic economic system is the same in all socialist countries, or is the same in a socialist country at different periods in history. Organization is not the same in different socialist countries, or at different periods in the history of a socialist country. The basic economic system is general, but organization is special or specific. This is why it is necessary for us to clarify our concepts.

Second, what all does economic organization entail? I feel it should include two aspects. One is the form and composition of the socialist system of ownership, the other is the state's organization of national economic management. The distinction is often blurred in our documents or in articles. Economic organization is also called management organization. This is frequently the case, but it is imprecise. What do we mean by the form and composition of socialist ownership? Socialist ownership can take different forms, so that we have the form and composition of socialist ownership. The form and composition of ownership includes four areas. 1) What forms of socialist ownership exist in our system of organization? For example, we now have state ownership, collective ownership, and various kinds of cooperative ownership. 2) What ultimately determines the substance of each specific form of ownership? Forms which are equally considered part of state ownership can have different imperatives, just as long as they do not go beyond the scope of state ownership. 3) What are the relative positions of various forms of ownership within the entire socialist economic organization? The form may be unchanged, but its relative position has changed and the composition changes as a result. 4) How are various forms of ownership integrated? By what kind of ties are they linked together? How can all socialist forms be integrated into an organic entity? In the management organization for the entire national economy of socialist countries, including management of planning, finances, wages, foreign trade, etc., the object of management remains within the realm of socialism. Therefore, reform of the entire organizational system means reform of socialist economic organization. Looking at this question, it seems that the comrade who asked it still lacks an overall, comprehensive understanding of socialist organizational reform.

I feel that stimulating the economy is significant in itself in two ways. One way is not part of reform. For example, if a factory is well managed, the enterprise is stimulated, but this is not part of organizational reform. Rather, it is a rise in the standard, an improvement in the level of management. The other way is part of reform, in which it has its own special meaning. Because I am not responsible for any work, I can speak somewhat more freely. For example, in regard to last year's wage reform, I stated at a meeting called by the State Council that I did not understand it, and up until now I still do not know what is meant by this reform. In my view, wage reform can only be a one-time change during the reform period. What sort of reform

is it when workers do not get seniority subsidies, but government officials do? Reform must always proceed in a certain direction, with certain theoretical guidance. Changing the relationships between higher and lower levels is a question of organization. Should reform aim for stimulating the economy? Isn't this the problem we are facing now? Our Seventh 5-Year Plan also deals with questions of enterprise vitality, market mechanisms, and macroeconomic management. But these are questions affecting a fairly narrow range. I feel that our entire economy faces the problem of development. Control is a prerequisite to our planned growth. If controls do not work, if we just do planning that comes to naught, what is the use of talking about planning? Planning is not the same as control; planning can guide economic growth. When we speak of the economy, we should first stress the development perspective, not the control perspective. Control cannot build up speed, nor can it cause growth. A big problem of the past 2 years among us economists is that we have talked too much about control and too little about development. This is my personal opinion. Reform requires a prosperous environment: this statement is both true and false. It is true of the money-spending reforms, but some reforms do not require spending money. Some comrades have said that in the past they were not aware that some reforms cost money and some did not. Things are better now that they are aware of this. Whether prosperity or reform ultimately comes first is in the end a question of the chicken or the egg; it is a dialectical process. Many of our reforms do not cost money but are able to develop the economy. We should give serious consideration to such reforms, now that our economy is still in difficult straits. I believe that reform of ownership is basically reform that does not cost money. Selling stocks, leasing, and auctioning do not cost much money, which is one reason why reform of the ownership system is highly regarded. This falls into the category of microeconomic reform, and microeconomic reforms are easy to carry out. Macroeconomic problems are relatively complicated. For example, price reform is quite complex. On what scientific basis should price reform be established? It should be established on the basis of price changes or, we can also say, on the basis of accurately reflected prices. It is quite difficult for us to understand the consequences of reform, because our research organizations are quite weak and incomplete whereas the organs of power are enormous and swollen. As big as China is, there should be increased emphasis on macroeconomic aspects, but it is not at all easy to correctly judge macroeconomic problems, nor is it easy to adopt correct macroeconomic measures. We very much need to change our government organs, expanding research organizations and streamlining the organs of power. Our current situation simply won't do. On my trip to Hungary in 1979, I learned that this country of 10.69 million people had more than 1,000 people working in its national statistics bureau, which they call the Central Statistics Bureau. This means that for every 10,000 people, there is one person working in the Central Statistics Bureau, and these workers are primarily intellectuals. According to this ratio, China's National Statistical Bureau should have 100,000 people. But at that time, we only had several hundred people working in the National Statistical Bureau. The Soviet Union is the same as Hungary, and Canada has even more: with a population of more than 26 million, it has more than 4,000 people working in the central statistics bureau. We currently cannot reach this level. We do not have much money, making it very hard to carry out costly reforms. Shenyang and many other places are therefore turning their attention now to reform of ownership. I approve proper reform of the

ownership system. Reform of economic organization is not a problem to be solved with macroeconomic measures; it should start with the ownership system.

I read the summary of the "Bashan" conference in JINGJI YANJIU [ECONOMIC RESEARCH] (No. 12, 1985). Ever since then I have thought that the summary was quite well written: it was specific, presented ideas, and provided analysis. But there were two points on which I disagreed. The first point is that in the entire "Bashan" conference, there was not the idea that our socialist economy should improve the people's lives, nor was there anything on the goal of socialist production. The second point is that the idea of arousing the enthusiasm of the working people was not made the foundation of reform. All they talked about was control and management, but they did not talk about the foundation of our reform. But we can hardly blame them, since they were a bunch of foreigners. Their analysis of our reforms has had some effect within China. For example, the recent wage reform was influenced by "Bashan." The "Bashan" conference stated that wages should not be linked to profits and tax; that within an enterprise, wages should not be linked to economic results. This narrowed the gap which had widened in 1984. I feel we should analyze what these foreigners have said in light of conditions in China. We can see from this that it will not work to use foreign views as the starting point for the study of Chinese problems. It also will not work to use Marxism as the starting point to study problems. Conditions in China--reality--should be the starting point for our study. This is my opinion, but many people perhaps disagree with me.

"The third question is, what is meant by reform of the political system and what does it entail? Some East European and Western scholars have proposed that an important part of reform is fighting feudalism. What do you think? How do you evaluate the obstacle that feudalism poses for reform, the influence and threat of feudalism? Some people feel that the methods for electing representatives to the People's Congresses should be reformed, since they cannot adequately bring to life the principle that the people control their own affairs. Do you agree?"

We are now in the process of studying reform of the political system, and I am also thinking about it. One of the questions in thinking about reform of the political system is the meaning and significance of reform of the political system. Everyone should think about this question. I have got the idea that reform of the political system should take into account how this reform will benefit the long-term political stability of our country; how will it benefit the progress of our socialist modernization? My basic viewpoint is that we now need decisions that will provide an overall program for every sector. The 1984 decision on reform of economic organization was a decision within the economic sphere which had ramifications in every sphere. The decision passed this year by the 6th Plenum of the 11th CPC Central Committee is a decision within the spiritual civilization sphere which has ramifications everywhere. We hope that there will be a decision on reform of the political system which will have far-ranging implications. With several of these decisions which have wide ramifications, we then would basically have general program decisions, which could guide our subsequent reforms.



I hope that everyone can help investigate which are the most important problems for us to solve now. I feel that some recent academic discussions of political system reform were too abstract, too full of nothing. There seemed to be a distance between what they discussed and the currently pressing problems, and some of their problems are not too important. After all, what are the main problems we should be solving? I still have not studied this question, and so I cannot talk about it systematically. How should we ultimately view the problem? I still think about several aspects and viewpoints. For example, democracy is of course very important; how can we make progress in democracy? What is democracy? Democracy is doing a good job of advancing socialist initiative, that is what democracy is. For example, we should be studying what sort of political factors now hinder the advancement of democracy. For example, what things hinder the advancement of enterprise initiative, what things hinder the advancement of worker initiative, what things hinder the further development of initiative for each of us in the academic world? This is a big question. There are now many problems to study in our leadership system, and many concepts which need to be studied. For example, our party is the party which leads our development, and here the problem to solve is of leadership. As for the party and the government or the party and enterprises, the question is the concept of leadership. What is a leader? Being a leader does not mean taking control in place of others. So when I was at a seminar for entrepreneurs in Shanghai, they gave me the official answers to an examination for factory managers. The answers contained the following sentence: "After the change from the system where the factory manager is responsible under the guidance of the party committee, to the factory manager responsibility system, the party committee's administrative leadership role is changed to the role of guarantor and supervisor." If the test paper followed the official answer, the factory manager was considered qualified, but if the answer was different from the official one, then it was wrong. I told them that I disagreed with this answer; that if I were evaluating this answer, I would fail it. What is the problem with this answer? The problem is that the party's leadership role has been lost, it is gone, it is converted to a guaranteeing, supervisory role. In my view, guaranteeing and supervising is part of leadership, they are not something that leadership can be converted into. The meaning of the factory manager responsibility system is not factory manager responsibility under the leadership of the party committee; but what is its meaning? It is not party committee leadership plus factory manager responsibility; if it is factory manager responsibility plus party committee leadership, then it is wrong. Factory manager responsibility under the leadership of the party committee has a particular meaning in our country, a particular meaning which has been shaped by history. What it means is a system where the party secretary has control over and interferes with the factory manager's official powers, but does not serve as leader. This is what we want to change. So, I think that we should stick to factory manager leadership, factory manager responsibility, and stick to party committee leadership; we absolutely do not want that system of factory manager responsibility under the leadership of the party committee. The question then arises, what is the meaning here of leadership? Originally, when the system of factory manager responsibility under the leadership of the party committee was in effect, party committee leadership meant that the committee ran the show, and that concept still has not changed. So, although conclusions may differ, the theories are similar: party committee leadership

is still equated with party committee control. That is why I think that that answer should not pass. People may say that the answer was set by whatever upper-level organization; I don't know about that, all I know is that I don't care what organization provided the answer, a wrong answer is a wrong answer. Perhaps my answer is wrong, but let's discuss it, for after all it is an academic matter. Right now this sort of issue is very important. What does Communist Party leadership actually mean? What does party committee leadership mean? And what is the meaning of party leadership of the government? I think we should try to clarify such fundamental questions through discussion.

Why is it that time after time we try to change the enormous, bloated organizations, but they never get any smaller? This is related to the question of democracy. Some things should naturally be run at the lower level, but some people at the top just have to run things. In addition, lower levels have the right to run their own affairs, but they don't, they have to ask for instructions. Lower levels suffer from the compulsion to ask for instructions, while higher levels suffer from the compulsion to run things about which they are ignorant; this is the situation. This compulsion to seek instructions is a psychological condition, a psychological condition in which one does not dare accept responsibility. These problems probably are not fundamental problems. As for how to determine specific systems, of course we will study the People's Congress system. Many matters are quite complex. So I think we should discuss the question of political system reform and come to a decision; we should move our work forward. That is why it is not an ordinary discussion of political questions. Many political matters can be solved through long-term research, but our reform of the system is right here and now, and we should make a decision. What are the problems that we should actually be solving? There are many issues that we could consider. The question of devolution of power is one which everyone is very concerned about; enterprises have no power, and local governments have very little power. China is a political entity practicing democratic centralism. We are not a federation, much less a confederation. We practice democratic centralisms with power concentrated at the center. It is centralism of a democratic nature; it is not democracy and centralism--democracy and centralism is wrong. Saying "democracy and centralism" means that democracy does not include centralism. But can democracy not include centralism? Democracy is the minority submitting to the majority. This principle is always important. The minority submitting to the majority is centralism, so there is no democracy which departs from centralism. Without centralism, it is not democracy, it is anarchy. Now, can centralism do without democracy? It can: for example, bureaucratic centralism, autocratic centralism, and patriarchal centralism. What about democracy and centralism? If centralism does not include democracy, it then becomes patriarchal, autocratic, bureaucratic centralism. Lenin said that democratic centralism is centralism, centralism of a democratic nature. Our party practices democratic centralism, a high level of centralism, but what about our country? The political system is centralism. But certain things are not suited to centralism: at the second congress of China's Scientific and Technical Association, many comrades wanted to write democratic centralism into the society's constitution. But I said that the society could not practice democratic centralism, it could only practice democracy; why would the society want to be so centralized anyway. They said that unions and the

Women's Federation all had democratic centralism; I replied that that was their business, but I thought their constitutions were wrong, and that our society should not want it. For the recent third congress of the society, I said that since I would not be there, they might bring back democratic centralism. But when I checked, I found that the constitution still had not restored it. Democratic centralism should not be overused. Can a family practice democratic centralism? A family should not practice democratic centralism. If I, as head of the family, have the final say over every child and adult, then that is a patriarchy. A family should practice democracy. Now, our country is not a federation, nor is it a confederation. Our political system is democratic centralism. With democratic centralism as a prerequisite, how can we give more power to lower levels. China is too big; your province of Sichuan is a "large country" of 100 million people; there is not a country in Europe which has a population as large as Sichuan's. Limiting power so much just won't work. These problems are extremely big, so my view is that this organizational reform should try to achieve long-term political stability. As to what the basic concepts of democracy and rule by law should include, I hope that we don't simply go discuss those abstract questions. I think that our attention should be focused on the actual questions of principle, questions which are based on reality and are related to the current development of the economy, culture, and education. That is what I think. I am just talking about a few of my ideas on these matters. Due to various reasons, I was not able to take part in a few political system reform meetings, so perhaps there are many viewpoints that I don't understand very well. But I feel that this matter of reform should be the point of departure for our investigation and resolution of problems. Moreover, this sort of problem cannot be solved once and for all. We should be able to have a good, comprehensive perspective on the political system; later on, with implementation of these decisions as a prerequisite, we should continue to develop, summarize, and improve. I feel that this is how we should go about it.

12919

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## DISCUSSION OF OWNERSHIP REFORM, STOCK ENTERPRISES

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 2, 23 Feb 87 pp 50-52

[Article by Li Ying [0632 0110 1337]: "Ownership Reform and Management of Stock Enterprises"]

[Text]

V

Enterprises which have issued stock must formulate fairly complete enterprise regulations. The regulations must embody such principles as independent accounting, responsibility for profit and losses, and operating uniformly in accordance with economic contracts in foreign economic dealings. They must implement the factory director responsibility system and supervision of the enterprise. In terms of organizational structure, the highest authoritative organ of stock enterprises is the general shareholders' meeting. The general shareholders' meeting selects directors and supervisors to form the board of directors and board of supervisors. The board of directors acts as the guide in enterprise business and the policymaker of important enterprise matters. It is responsible for the general shareholders' meeting. The board of supervisors supervises the direction of enterprise business and important enterprise matters. It is also responsible to the general shareholders' meeting. The voting authority of the shareholders' meeting is determined by the number of shares of those who are shareholders. The general shareholders' meeting (or the meeting of the shareholders' delegates) is convened at a specific time; it listens to, examines, and passes on the work report of the board of directors and board of supervisors. In the situation of clarifying the division of stock rights, if the public ownership sector of the economy has no stock rights in the enterprise, then the state cannot interfere in the legal activities of the general shareholders' meeting and the board of directors. Under conditions where the public ownership sector of the economy has become a shareholder, then the state is restricted to relying on the extent of its stock and can attempt to influence policy decisions by its representatives.

The "socialist state participation system" toward stock enterprises is embodied in the government control of stock in those enterprises. The government's controlling stock will not necessarily be more than 51 percent of

shares. In actuality, owing to the dispersal of stock rights, the government's controlling stock under normal circumstances needs to be only one-third or one-fifth to be sufficient; it may even be less than that. Moreover, even for enterprises which have issued stock, they do not all categorically require government-controlled stock. As stated above, the differences between departments and enterprises are very great. If certain departments or certain enterprises are relatively more important in the national economy, then government control of stock will become essential in the future, for some departments or enterprises which are of secondary importance, relatively speaking, the government may or may not control stock. In this there is no hard-and-fast model; that is, we do not need an unvariable provision on the ratio of stock which the government must control.

If the government controls the stock, then it will exercise a rather large decisionmaking authority in the board of directors. This decisionmaking authority will be carried out by the government board. The government board represents the interests of the state shares. Because a certain proportion of the total amount of enterprise stock is in state hands, the interests of the state shares and those of the enterprise can be combined. In this manner, the government board representing the interests of the state shares can at the same time represent the interests of the enterprise under these circumstances.

By means of purchasing and transferring possession of stock certificates, an enterprise can employ its own reserved profits to make an investment in the stock of its company, or to invest in the stock of other enterprises. Suppose that an enterprise has government investment, its own investment, and the investment of other enterprises; and suppose, moreover, that the investment from these three elements reaches a certain figure; then, based upon stock rights, they will all three be able to get their own directors, and the board of directors will have directors from at least these three elements, i.e., government directors, directors of the enterprise, and directors appointed by the other enterprises. The decisionmaking authority of the board of directors will be allocated in accordance with the stock holdings of the three parties and with the number of directors assigned.

It should be pointed out that, because stock enterprises are a new form of ownership in the socialist economy, the company directors who emerge by means of the stock rights of the enterprise are also appointed by the public sector and represent the interests of the public sector. This means that in some enterprises, even if the percentage of overall stock which the government controls is quite small and it thus cannot seize control of the decisionmaking authority of the board of directors; or, in other enterprises, if the government controls no stock and thus cannot select any directors; nonetheless, since the enterprise directors (including those appointed by the enterprise itself and those assigned by other enterprises which have a certain amount of stock) similarly represent the interests of the public sector, then the decision-making authority of the board of directors is still controlled by the public sector.

The directors appointed by an enterprise and those assigned by other enterprises should be chosen by worker assemblies. No matter what enterprise they are dispatched to, these directors all represent the interests of the enterprise in question.

As stated above, stock companies get their directors based upon stock rights. The government directors and enterprise directors (including those of the enterprise itself and of other businesses), which was referred to above, are all directly related to stock rights. They are referred to as stock-rights directors. Enterprise employees may acquire stock and so may individuals in society, but in the present situation in China, since the enterprises which have issued stock are large and medium-size, the shares which an individual employee or an individual in society may hold are not sufficient to result in an individual's becoming a stock-rights director.

In considering this situation, we can add the case of the non-stock-rights directors. On the board of directors they make up only a rather small proportion, but they can represent the interests of the workers and individuals in society who have acquired stock. They are helpful to the board of directors in the policymaking process by extensively listening to various opinions. Non-stock-rights directors generally include persons selected from three sectors. The first is the employee representatives, who may be put forward by the union system; the second is the social representatives, who may be appointed by consumer groups, environmental protection groups, social safeguard groups, and so forth; the third is the expert representatives, who may be acquired from enterprise production management and academic groups concerned with technology. If, in an enterprise, the employees overall acquire stock with a rather large monetary value, then the directors who hold their office as employee representatives may also be stock-rights directors and not necessarily non-stock-rights directors.

## VI

The factory directors of stock enterprises are appointed by the board of directors, and, under the leadership of the board, they exercise centralized command authority in the daily management and production direction of the enterprises.

Under the leadership of the factory director, the enterprise is a whole which is to maintain the centralized, unified command system of proceeding from the top to the lower levels internally. Between the factory director and other leadership persons within the enterprise there exists a relationship of the leader and the led. The latter are appointed and dismissed by the factory director. In accordance with the principle of separate levels of management, the lower levels obey the higher levels' orders; the lower levels are responsible to the higher levels. Whose interests, after all, does the factory director represent? With regard to this question, we must analyze the nature of stock companies.

Factory directors of stock enterprises represent the interests of the stockholders. Because it is the socialist ownership system of stock enterprises being discussed here, for those companies in which public ownership has stock, the interests of the stockholders which the factory director represents also embody the interests of the state, the enterprise, and the employees. This means that the factory directory serves as a responsible person in a publicly owned enterprise. He must implement state policies, obey the law, and protect state interests. This refers both to state interests on a large and a small scale as well. Public ownership also serves the interests of the stock rights parties. The factory director must firmly uphold the socialist direction of the enterprise, enabling the enterprise to be vigorous, earnestly safeguarding the interests of the employees in the various systems of the enterprise, and mutually enhancing the employee interests along with the interests of the enterprise and the state.

After implementing the responsibility system of the factory directory under the leadership of the board of directors, what sort of function will the party organization serve in the enterprise? It should be pointed out that socialist enterprises must uphold party leadership in order to be able to guarantee a socialist direction within the enterprise. But upholding party leadership does not imply that the board of directors will be replaced by the party organization or that the party secretary will execute the duties of the factory directors. The leadership of the party toward the enterprise is not limited to that of the enterprise party organization; even more important, it carries out the will of the high-level party leadership, implements Central Committee directives and policies. The primary duty of the party organization in the enterprise ought to be political and ideological work. It should develop and ensure a supervisory function regarding the production operations and administrative management of the enterprise. If the party organization discovers behavior within the enterprise which violates policy, it should bring it forward for criticism, supervision, and correction. The party organization must positively uphold the authority of worker assemblies to execute democratic management, support the factory director in executing decisionmaking authority, guide the worker representatives in upholding the socialist direction, show concern for the overall interests of the state, and correctly manage the interests among the state, the enterprise, and the workers.

Hereafter, the income of the workers who have acquired a stock in the enterprise will include wages, awards, and "profit sharing" (dividends and bonuses). The interests of the workers are to be represented by the enterprise directors selected by the worker assemblies and by the non-stock-rights directors put forward by the union system. They are to influence the policies of the board of directors and the activities of the board of supervisors. Despite the fact that the stock investment of a worker may be extremely small compared to the overall stock value of an enterprise, it should in the long run ensure that the interests of the worker and those of the enterprise have a closer relationship than in the past. Of course, the activism of the workers in an enterprise cannot be stimulated simply by relying on the fact that they have a few shares. This is not only a limitation in stock enterprises but is also a limitation of cooperative enterprises, since the money

paid for shares by cooperative members is also just a small amount in the cooperative. The important thing is that the issuing of stock will impel large and medium-size enterprises toward the stage of market competition and true responsibility for profit and loss. Stock enterprises must build their own reputations, struggle for space to survive, adjust their behavior, and stimulate the activism of their workers from all aspects. The superior will win out and the inferior will be discarded; if the enterprise management is inept, it will be taken over. When an enterprise is taken over, we simply have a new composition of production factors; and, speaking of the socialist economy, it is not a bad thing, since those taking over and those being taken over are all enterprises of the new-style ownership system.

In order to achieve the principle of the board of directors' deciding the overall direction of the enterprise and the factory director's exercising command authority over the production management, it may be established that a director cannot be the factory chief, nor a factory chief a director on the board. The factory director commands production operations in the role of one appointed by the board of directors.

Directors of the board assigned from outside (government directors, those sent by other enterprises, directors who have their office as social representatives, those who represent the experts) are not stationed at the factory. They simply attend the meetings which the board of directors holds or go to the enterprise when they are charged by the board of directors to come to execute their public duties. Their obligation is to make decisions concerning the direction of enterprise management and on important questions when the board of directors meets. They are to understand every aspect of enterprise conditions so as to ensure that the decisions of the board are appropriate to realities. They do not enter into the organizational structure of the enterprise, nor do they receive wages from the enterprise.

Directors of the board who do not come from the outside (directors of the enterprise itself and directors who hold their office as worker representatives) are chosen from among the enterprise workers (not including the factory director or his chief assistants). They do not receive any compensation apart from their working wages. Their responsibilities are the same as those of directors sent from the outside.

Directors may receive an allowance for the period when the board of directors holds meetings. If the enterprise, after yearend accounting, shows a profit, then the individual units holding stock may, based upon the distribution of shares, draw a certain sum of money from the stock income as a form of encouraging remuneration in accordance with the stock-rights directors.

For example, the state stock capital management office can use a certain amount of government stock income to reward government directors; enterprises can use a portion of their stock income as a reward to go to the directors of the enterprises itself; and outside enterprises can similarly draw a certain amount of stock income to serve as remuneration to directors sent in from the outside. Apart from this, enterprises may, needing only to stay in accordance



with a level of general equality of what is received by their own enterprise directors, turn over compensation of a reward nature to non-stock-rights directors.

Government directors are sent out by the state stock capital management office. This office may select and dispatch government directors from among its own cadres or from the specialized department, office, or bureau of the original enterprise. Outside of these units, it may also designate suitable public duty personnel to serve as government directors. Since these public-duty personnel assume the office of director as representatives of government stock right, they have no responsibility, when taking up their office, to report activities and conditions in the enterprise to the units which employ them.

Under these circumstances of various levels of stock control, of the structure of parent companies, subsidiary companies, and branch companies, individual directors do not generally serve in more than one as a director. If there truly is a need for joint service, then the limit should be that one person can take the office of director in no more than two enterprises.

All directors have a time limit for their appointment, and there may be only one additional appointment. As regards decisions on important matters, such as development strategy and the direction of production operations in the enterprise in question, boards of directors may adopt open voting and announce the votes of each director. In questions involving personnel allocation, boards of directors may employ secret balloting.

The purpose in all these provisions discussed above is to prevent the bureaucratization of boards of directors; that is, on the one hand, it is to guard against directors just lending their names but not taking responsibility for the course of the enterprise; and, on the other hand, to guard against the individual director overstepping his authority or using his title of director to seek his personal gain.

It may be assumed that, by passing the above-described reforms in management, the vitality of stock enterprises will be increasingly great. They will steadily become socialist stock enterprises with Chinese characteristics.

6722/6662

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## REGULATIONS ON PENALTIES FOR FINANCIAL VIOLATIONS

OW251031 Beijing XINHUA Domestic Service in Chinese 0708 GMT 24 Jun 87

[Text] Beijing, 24 Jun (XINHUA)--State Council Provisional Rules on Penalties for violations of Financial Laws and Regulations

(16 June 1987)

Article 1. The following rules are formulated especially to reinforce financial laws and regulations, protect state property against theft, maintain social and economic order, and ensure smooth progress of economic structural reform and socialist economic construction.

Article 2. State organizations, enterprises, and institutions, as well as organizations financed by the state, and their staff members, must observe relevant financial laws, administrative regulations, and local statutes, rules, and regulations (hereafter called financial laws and regulations) in their financial activities.

Violations of financial laws and regulations, including retention, misappropriation, embezzlement, and waste of state funds in violation of financial laws and regulations shall be penalized and handled according to these rules, in addition to incurring penalties prescribed in relevant laws and regulations.

Article 3. A unit that violates financial laws and regulations shall be given the following penalties based on factual investigation and the seriousness of the case:

1. Warning: criticism in a circular.
2. Fine: The amount of fine shall, in general, not exceed the amount of funds obtained as a result of the violation of financial laws or regulations, and shall not exceed five times the amount in especially serious cases.

Article 4. Personnel directly responsible for violation of financial laws and regulations and administrative leaders of a unit committing a violation (hereafter called responsible personnel) shall be given the following penalties based on factual investigation and the seriousness of the case:

1. Disciplinary sanction: warning; demerit; serious demerit; demotion in grade; demotion in position; dismissal; expulsion but with continued employment on probation; and expulsion.

2. Fine: The maximum fine shall not exceed 3 months of the basic salary of the person involved.

Article 5. Funds obtained as a result of violation of financial laws and regulations shall, regardless of the amount, be handled in the following manner according to each specific case:

1. Confiscation of illegal gains.

2. Collection of income that should be delivered to the state.

3. Retrieval of embezzled or misappropriated funds.

4. Transfer to relevant accounts.

Article 6. A unit that conceals and retains over 50,000 yuan in taxes, profits, or other financial revenues that should be delivered to the state in violation of financial laws and regulations, or less than 50,000 yuan in a serious case, shall be given a warning and may be given a fine not exceeding 20 percent of the funds obtained as a result of the violation; responsible personnel shall be given a disciplinary sanction in the form of a demerit or less, and may be given a fine not exceeding 2 months of basic salary of the person involved.

A unit that withholds more than 10 percent of taxes, profits, or other financial revenues that should be delivered to the state annually in an amount exceeding 50,000 yuan as described in the preceding paragraph, or in a smaller amount in a serious case, shall be criticized in a circular, and may be given a fine of more than 20 percent of the funds obtained as a result of the violation; responsible personnel shall be given a disciplinary sanction of at least a demerit, and may be given a fine not exceeding 3 months of basic salary of the person involved.

Article 7. A unit that applies for and receives a state appropriation or subsidy through fraudulent means in violation of financial laws and regulations in an amount of less than 29 percent of the annual appropriation or subsidy that the unit is to receive, shall be given a warning and may be given a fine not exceeding 20 percent of the funds obtained as a result of the violation; responsible personnel shall be given a disciplinary sanction in the form of a demerit or less, and may be given a fine not exceeding 2 months of basic salary of the person involved.

A unit that has obtained funds in violation of financial laws and regulations in a manner described in the preceding paragraph, in an amount of more than 20 percent of the annual appropriation or subsidy it is to receive, or less than 20 percent in a serious case, shall be criticized in a circular and may be given a fine of more than 20 percent of the funds obtained as a

result of the violation; responsible personnel shall be given a disciplinary sanction of at least a demerit, and may be given a fine not exceeding 3 months of basic salary of the person involved.

Article 8. A unit that grants a tax exemption or reduction, or uses funds from state coffers, without authorization shall be given a warning; responsible personnel shall be given a disciplinary sanction in the form of a demerit or less and may be given a fine not exceeding 1 month of basic salary of the person involved.

A unit that has committed a serious case of violation of financial laws and regulations in a manner described in the preceding paragraph shall be criticized in a circular; responsible personnel shall be given a disciplinary sanction of at least a demerit, and may be given a fine not exceeding 2 months of basic salary of the person involved.

Article 9. A unit that diverts funds, intended for productive projects, to nonproductive use in violation of financial laws and regulations involving an amount of more than 100,000 yuan, or less than 100,000 yuan in a serious case, shall be given a warning, and its responsible personnel shall be given a disciplinary sanction in the form of a demerit or less.

A unit that violates financial laws and regulations in a manner described in the preceding paragraph, to a serious degree and involving a relatively large amount, shall be criticized in a circular, and may be given a fine not exceeding 10 percent of the funds obtained as result of the violation; responsible personnel shall be given a disciplinary sanction in the form of a serious demerit or less, and may be given a fine not exceeding 1 month of basic salary of the person involved.

Article 10. A unit that transfers state property to a collective, or diverts budgetary funds to extrabudgetary use, in violation of financial laws and regulations in an amount of over 100,000 yuan, or of less than 100,000 yuan in a serious case, shall be given a warning, and may be given a fine not exceeding 10 percent of the funds involved in the violation; responsible personnel shall be given a disciplinary sanction in the form of a demerit or less.

A unit that seriously violates financial laws and regulations in a manner described in the preceding paragraph, to a serious degree and involving a relatively large amount of funds, shall be criticized in a circular, and may be given a fine not exceeding 30 percent of the funds involved in the violation; responsible personnel shall be given a disciplinary sanction of at least a demerit, and may be given a fine not exceeding 1 month of basic salary of the person involved.

Article 11. A unit that seriously violates state regulations governing financial expenditures and squanders state financial resources in an amount less than 10,000 yuan shall be given a warning, and may be given a fine not exceeding 10 percent of the funds involved in the violation; responsible personnel shall be given a disciplinary sanction in the form of a serious demerit or less, and may be given a fine not exceeding 1 month of basic salary of the person involved.

A unit that violates financial laws and regulations in a manner described in the preceding paragraph involving an amount of over 10,000 yuan, or less than 10,000 yuan in a serious case, shall be criticized in a circular, and may be given a fine not exceeding 30 percent of the funds involved in the violation; responsible personnel shall be given a disciplinary sanction of at least a serious demerit, and may be given a fine not exceeding 2 months of basic salary of the person involved.

Article 12. A unit that violates state regulations in increasing subsidies, expanding their scope, or hiking wages without authorization to a serious degree, in violation of financial laws and regulations, involving an amount of less than 200 yuan per capita annually shall be given a warning, and may be given a fine not exceeding 20 percent of the funds involved in the violation; responsible personnel shall be given a disciplinary sanction in the form of a demerit or less, and may be given a fine not exceeding 1 month of basic salary of the person involved.

A unit that violates financial laws and regulations in a manner described in the above paragraph involving an amount of more than 200 yuan per capital annually shall be criticized in a circular, and may be given a fine of over 20 percent of the funds involved in the violation; responsible personnel shall be given a disciplinary sanction of at least a demerit, and may be given a fine not exceeding 3 months of basic salary of the person involved.

Article 13. A person who takes advantage of his job to illegally turn public property into his own, but does not commit a crime or is exempted from criminal penalty according to law, with his illegitimate gains being less than 1,000 yuan shall be given a disciplinary sanction in the form of a demotion in grade, and may be given a fine equivalent to 1 month of his basic salary.

In a case where the illegitimate gains are more than 1,000 yuan, or less than 1,000 yuan in a serious case, the person shall be given a disciplinary sanction of at least a demotion in grade, and may be given a fine not exceeding 3 months of his basic salary.

Article 14. A heavy penalty shall be imposed in a violation of financial laws and regulations if it involves any one of the following cases:

1. If a leader forces his subordinates to violate financial laws and regulations;
2. if a person handling a particular job acts presumptuously or plans on his own to violate financial laws and regulations;
3. if special funds and supplies designated for supporting the front, providing relief to disaster victims, preventing disasters, consoling and compensating disabled people or families of a deceased person, assisting those in need of help, and promoting education are misused for other purposes or embezzled;

4. if accounts, accounting statements, and vouchers are tampered with, forged, or destroyed;
5. if such acts are committed to obstruct or resist inspection or refuse to correct mistakes;
6. if repeated violations are found in repeated inspections.

Article 15. A penalty may be reduced or waived for a violation of financial laws and regulations if it falls under any one of the following categories:

1. If after an act of violation of financial laws and regulations is discovered by the department concerned, earnest efforts are made to examine the mistake and correct it promptly;
2. if the amount of money involved in the violation of financial laws and regulations is rather small, and the case is relatively minor;
3. if the unit or individual concerned has taken the initiative to discover the violation and has corrected it promptly;
4. if the person involved in the particular case committed a violation after having been forced to carry out an instruction and after his attempts to refuse to do so have proved futile.

Article 16. When more than two acts of violation of financial laws and regulations have been discovered at the same time, the penalty shall be based on the most serious one, and the fines shall be combined and collected at the same time.

Article 17. If an advanced meritorious title is won through deception by violating financial laws and regulations, the title shall be revoked by the organ originally conferring the title.

Article 18. The auditing or financial organ conducting the inspection shall decide on the penalty to be imposed on a unit and the fine to be paid by the responsible personnel. As for the disciplinary sanction to be given to responsible personnel, the decision shall be made by the department concerned on the basis of the suggestion of the auditing or financial organ conducting the inspection and in accordance with the regulations governing rewards and penalties for personnel of state administrative organs or for staff and workers of the enterprise concerned.

Article 19. Fines imposed on units shall be paid from retained profits in the case of enterprises, and from extrabudgetary funds or funds left over from operating expenses for projects under the various responsibility systems in the case of administrative units and institutions. Fines imposed on individuals may be withheld from their wages by the units in which they work.

If the fine involves a relatively big sum, and it is hard to pay the sum in its entirety at one time, it may be paid in installments after concurrence is obtained from the organ that made the decision to impose the fine.

Article 20. A unit or individual who refuses to accept the decision on the penalty or fine may, within 15 days after receiving the notification of the decision, request a reexamination by applying to the competent authorities at the level immediately above that of the decision-making organ. The competent authorities at the next higher level shall reexamine the case within 30 days after receiving the request for reexamination. During the period of reexamination, the penalty decision shall still be carried out.

An individual who refuses to accept the decision on a disciplinary sanction may file an appeal in accordance with the pertinent appeal procedures.

Article 21. If auditing and financial organs and the departments concerned conducting inspections and handling cases of units and their responsible personnel that have violated financial laws and regulations fail to comply with these rules in giving penalties, the personnel concerned as well as the leaders of these organs and departments shall be investigated to determine their responsibility.

Article 22. If a violation of financial laws and regulations constitutes a crime, it shall be investigated by the judicial organ concerned to determine criminal liability according to law.

Article 23. The terms "more than" and "less than" referred to in these rules are inclusive.

Article 24. Detailed rules for the implementation of these regulations shall be formulated jointly by the auditing Administration and the Ministry of Finance.

Article 25. These regulations shall take effect from the date of promulgation.

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## SHANGHAI RESEARCHERS DISCUSS PRICING REFORMS

HK260401 Beijing JINGJIXUE ZHOUBAO in Chinese 31 May 87 p 4

[Report by Xiao Li (5135 0500): "How To Continue the Pricing Reforms -- Shanghai Middle-aged and Young People's Price Research Saloon Holds a Forum to Discuss Some Special Topics"]

[Text] Not long ago, the Middle-aged and Young People's Price Research Saloon, founded by price researchers and teachers in this field in Shanghai, held a forum to discuss some special topics. Some comrades responsible for pricing work in the relevant units were invited by the Saloon to attend the forum. At the forum, Zhang Hongming [1728 3126 6900] and Chen Li [7115 7812] of the Institute of Departmental Economics under the Shanghai Academy of Social Sciences first presented a paper entitled "China's Pricing Reforms: The Predicament and the Way Out." The topic was then extensively discussed by the participants.

The main views put forward in "China's Pricing Reforms: The Predicament and the Way Out" are as follows: The pricing reforms of the past 8 years, having contributed to stimulating economic development and the economic reforms, are now caught in an unforeseen predicament. The prices of some agricultural products are about to be adjusted again and yet not all the reforms concerning prices can be carried out as scheduled. In addition, the prices of products are rising one after another and the price index is going up steadily. The predicament is a result of two things: 1) The failure to exercise effective macroeconomic control and the imbalance in overall supply and demand. The problem of people blindly seeking high growth rates and the thirst for investment are the fundamental reasons for all this. 2) The lack of coherence between the reforms, the hardening [ying hua -- 4289 0553] of enterprise interests, the softening [ruan hua -- 6516 0553] of the enterprise financial controls, the problem of the rigid management of the key elements of production and rigid prices, and the restraints on the pricing reforms, and mistakes in the course of the pricing reforms are to blame for this.

Of course, we must carry on with the pricing reforms. We should be able to improve our understanding of the reforms and our methods by summing up our recent work. First, we should clearly understand that although the pricing reforms are not of crucial importance to the reform of the



economic structure, they are an extremely stimulating factor among those important ones which are interrelated with the economic reforms and which condition and are conditioned by these economic reforms. Second, it is necessary to make the macroclimate more favorable for the pricing reforms. This macroclimate mainly means first, gross demand and supply, and second, national revenue and expenditure. Relaxed economic circumstances are out of the question before the accomplishment of the reforms. At present we can only carry out the reforms under rather strained circumstances. We can make the macroclimate more favorable for the pricing mainly by paying attention to both construction and the reforms and yet giving priority to the reforms over construction, by sacrificing better living standards in favor of the reforms, and by rearranging distribution among the state, the localities, and the enterprises.

The pricing reforms are aimed at the establishment of a rational pricing structure and the introduction of rational mechanisms (management mechanisms) for fixing prices. A rational pricing structure can be established only when there is a need to balance demand and supply and cannot be established in advance. A rational price management system should be dominated by market regulation of prices and characterized by multilayered and multiform management under government direction. In the course of the pricing reforms, it is first necessary to solve the problem of the prices of two basic products, means of production and agricultural products. The reforms concerning the pricing of means of production should mainly be regulatory in nature. Regulation should be combined with efforts to lift restrictions so that they will eventually converge. In initiating these reforms, it is first necessary to pay attention to the following things:

- 1) We must wait for an opportune moment to introduce a single series of price adjustments [dan xi lie tiao jia -- 0830 4762 0441 6148 0116], to try to achieve our goal in a single step, and to coordinate our measures well.
- 2) Although we can take a bold step in a particular year and be less bold in another, it is necessary to make at least some progress each year.

Regarding the reforms concerning the pricing of agricultural products, we must first realize that the problem of the scissors differential in the prices of industrial and agricultural products is a long-term problem that can only be solved gradually. Thus, the pricing reforms should be characterized by frequent fine tuning. In addition, in the management of agricultural production, it is necessary to encourage the intensive use of land and to make industrial production (and sideline production) play a more important role in supporting agriculture. The prices of other products and the charges for various services should be adjusted when conditions are ripe.

In carrying out the pricing reforms, we should be well prepared for chain effects. These chain effects are not the same as an across-the-board price increase. However, the prices of means of production and subsistence are tending to go up. Generally speaking, the consumers' living standards not only should not be lowered but must be raised. However, they should be raised at an appropriate pace. When we raise the prices of the basic means of subsistence, consumers should be correspondingly and completely compensated.

We must not try to solve this problem by introducing a link between wages and prices. All this requires us to calculate the price index scientifically. As for enterprises, in the event of price changes, they should act rationally and in accordance with various norms. Thus, it is necessary to carry out various complimentary reforms. Such complementary reforms should mainly be focused on the enterprises' production and management responsibilities and be aimed at hardening the financial controls and at facilitating the circulation of the key elements of production.

Comrade Li Winzhong [2621 2429 1813] suggested: The view that the pricing reforms are now caught in a predicament has yet to be confirmed. For example, it is not true that the prices of means of production will remain unchanged this year. However, the restrictions on them will be lifted. Enterprises using them will be considerably affected by this. At present, the most important problem concerning the pricing reforms is that circumstances are still unfavorable. The number of local barriers between provinces, cities, and localities at other levels has grown as a result of the decentralization of power. However, there is no unified market in the country. On the other hand, since manpower, land, capital, and other key elements of production are not commodities, prices cannot play the role of a lever. There is also the problem of the poor quality of cadres. Many grassroots cadres do not have a sense of management. They can only do as they are told by the authorities and are not good at economic work. In conclusion, the price signals are not producing any effects.

Comrade Li Fan [0632 3879] suggested: The problem of ineffective macroeconomic control cannot be solved in a short time because, since the decentralization of power, old management methods have become obsolescent and we have not found new methods to replace them. Therefore, in exercising macroeconomic control, we do not have the appropriate methods to apply. So long as the problems of regional barriers and the ineffective financial system continue to resist solution, the pricing reforms cannot be carried out.

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## RENMIN RIBAO ON 'HUGE WASTE' OF MINERALS

OW151456 Beijing XINHUA in English 1335 GMT 15 Jun 87

[Text] Beijing, 5 Jun (XINHUA)--The state is calling attention to the huge waste, heavy losses and damage of its mineral resources, suggesting reasonable development and protection measures be carried out immediately, according to the PEOPLE'S DAILY.

In recent years, the country's recovery rate of mineral resources has been only 50 percent. According to a survey on 719 state-run mines in 13 provinces, the recovery percentage in most of these mines is under the designed requirement, the paper said.

Because of this, many mines suffer huge losses of resources. For example, the Ruqigou coal mine in the Ningxia Hua autonomous region, which exports coal, has proven reserves of up to 230 tons. But for every ton of coal mines, five tons are lost because of poor mining methods and management.

According to statistics, among 419 mines which mine 34 varieties of minerals, only one-third are mining all of their resources.

Collective-run enterprises and individuals are scrambling for mineral resources, causing huge damage due to disorderly mining and digging.

In Anhui Province, more than 300 small coal mines are contending for coal with the Huainan coal mine. In another province, most of more than 11,000 rural and private enterprises there are mining on the land of state-run mining enterprises.

Management of mineral products, especially of precious metals, is poor. Smuggling activities run rampant.

Gold, for example is heavily mined. But not all of it is sold to the state because of management problems. The article did not specify what types of problems.

In 1986, 846 cases of gold smuggling were discovered and 173.5 kilogrammes of gold were confiscated. Tungsten and tin were also smuggled.

The paper attributed the losses, waste and damage of mineral resources to a lack of understanding that the resources cannot be regenerated, and that they belong to the state.

State-owned mineral resources cannot be regarded as meat in the "big pot," which everyone can take a bite of.

To improve the situation, the mines must be administered and run according to legislation. Management and supervision over mineral resources should be enhanced.

Local authorities should correctly handle the contradictions between local and state interests, and immediate and long-term interests, the paper stated.

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## VICE MINISTER ON MAIN TASKS, POLICIES FOR TOWN DEVELOPMENT

Beijing CHENGXIANG JIANSHE [URBAN AND RURAL CONSTRUCTION] in Chinese No 4, 5 Apr 87, pp 5-8

[Article by Lian Zhong [1670 0112], Vice Minister of Construction: "Main Tasks and Policies for Town Construction"]

[Text] Town construction has been very successful in China in recent years. According to reports from all over, abundant experience has been gained in trial construction of towns of all types in different regions; their individual features epitomize the major achievements and characteristics of town construction at present and represent the direction of that construction around the country. Most of this experience can be grouped into six areas:

1. Proper town planning, construction, and management require that a guiding ideology for planning first be spelled out.
2. The key aspect of town construction is infrastructure-building.
3. Town construction must be based on development of the rural economy and must promote overall economic growth.
4. Strengthening management is an important aspect of town construction.
5. One important means of finding funds for town construction is to carry out sensible fund-raising according to the principle of "people's construction of people's towns."
6. Town construction must observe the policy of moral and spiritual civilization.

At the National Report-Back Meeting on Town Construction in November 1985, we set out the overall goals for town construction during the Seventh 5-Year Plan: on the basis of construction of a certain number of model towns at provincial, prefectural and county pilot sites, first striving to complete construction of 20 percent of the country's towns in stages, so that main infrastructure and public facilities in these towns will basically meet the demands of economic and social development. In order to implement town

construction and spur on overall rural development, we must find practical solutions to the following problems:

1. Increasing understanding of the importance of proper town construction. There are at least three major aspects to proper town construction. 1) It can promote sustained, stable growth of the rural economy. 2) It can be used to regulate the distribution of the urban and rural population and absorb the surplus rural labor force. 3) It can promote creation of a rural, socialist, spiritual civilization.

Therefore, not only must all the leading comrades in urban and rural construction departments increase their understanding of the importance of proper town construction, but they must also reinforce their propagandizing of this so that all departments and sectors will understand that town construction and development play an important role in promoting the development of the entire national economy and society, and that it is an important component of the creation of a characteristically Chinese socialism.

2. Industrious and thrifty town construction according to local conditions, and improved comprehensive results. Town construction must adhere to the policy of priority for economic development, adapting to local conditions, proceeding according to available resources, and gradual construction. I wish to emphasize four issues here: 1) We must develop a spirit of arduous struggle, industry and thrift in national construction. This has been our party's great tradition for many years. Leading comrades on the Central Committee recently stressed this matter, calling on us to launch a broad movement to increase production and practice economy, increase income and reduce expenditure, and to cut back on excessive nonbudgetary investment. We must resolutely implement this. In the process of constructing and developing towns, we must keep a clear head; the rate of construction must not be too fast, nor the scale too vast. We must begin with the local economic situation and adhere to the principle doing what we are capable of; we should not rush to carry out a project that exceeds our financial and material capabilities, much less indiscriminately copy the approach we would use on a large city. We must apply our limited town construction funds to developing infrastructure; water supply and roads must be done first. 2) We must determine the type of town construction according to local conditions. Various construction models have already been worked out now. For example, in areas where the economy is relatively developed and towns are dependent on small cities, products are dispersed out to the towns, and township enterprises are developed, so as to push town construction. In areas with a relatively weak industrial base, development of household industries is used to establish small commodity markets in order to develop towns. In regions where communications are poor and the economy rather backward, people are also seeking ways to develop towns. In addition, in the open coastal areas, towns that import from abroad and cooperate with units in the interior are being developed; tourist-type towns are being developed in scenic tourist areas; and so on. These town construction models can serve as reference, but they should not be slavishly copied; local conditions and actual circumstances should be followed to find a town model suitable for local development. 3) Economic, social, and environmental benefits should be unified. In evaluating whether town construction has been successful, the most fundamental measure is whether

integrated economic, social, and environmental benefits have been obtained. These integrated benefits cannot be obtained merely by putting roofs on some buildings or building a few factories. If the corresponding infrastructure and service facilities are not provided, good integrated benefits cannot be achieved. Destruction of the agricultural ecology and environment will cause all rural economic development to lose its basic material guarantee. In order to unify these three types of benefits, as we vigorously develop the rural economy we must at the same time focus town construction on infrastructure-building. We must also take forceful measures to prevent and control pollution by township enterprises and protect the agricultural ecology and environment.

4) We must adhere to the policy of combining reconstruction and new construction, with reconstruction of old towns predominating. For reconstruction of old towns, we must first pay attention to fully utilizing the original buildings and public facilities and strictly avoid blind demolition and large-scale construction without distinguishing priorities; second, the town's layout must be sensibly adjusted, paying particular attention to economizing on land use and increasing the land utilization rate; third, we must pay attention to protecting cultural sites and scenic spots. In short, when towns are reconstructed, we must endow their historical era with a new inner nature, so that they can meet the demands of modern production and life; we must also maintain its look and characteristics, harmoniously combining the two.

3. We must work hard to prepare town plans and improve design and construction quality. First, we must concentrate on formulating county-level plans to serve as a scientific basis for town plans. On this basis, overall plans for the town or township area must be drafted. Taking into account the area as a whole, the authors must provide for the various aspects of town construction on that basis. The overall plans for most towns should take into account the relationship between the town and the surrounding villages, and among the various towns within the county. For industrial towns, transport towns, port towns, tourist towns, and some towns in areas open to the outside, the larger area must also be taken into account in order to prepare comprehensive plans. In order to ensure that 20 percent of all the nation's towns will be able to meet the demands of socioeconomic development during the Seventh 5-Year Plan, we must also conscientiously implement the instructions of comrade Wan Li [5502 6849] in his speech to the National Urban Construction Conference, when he said, "City and town construction must be thoroughly planned," and "Cities should support villages in such areas as planning, science, technology, and education, so that villages can be properly constructed." In particular, large and medium-size cities having a relatively strong technical capacity should strengthen their economic and technical support for town construction. In this respect, Beijing, Shanghai and Tianjin have done quite well. They have mustered forces to provide technical guidance and aid for the planning and construction of towns and the design of peasant housing. This is a good approach. Urban planning, construction, survey, and design departments should also provide technical and material support for village construction. Particularly with regard to town construction in impoverished areas, urban and town construction departments at all levels should provide more meticulous guidance, giving appropriate attention to human, material, and financial resources. Third, an effort must be made to change the monotonous sameness of village architecture, the "new house, old

style" approach. This problem has been long discussed, and Shanghai and other areas have seen results, with a clear improvement in this monotony. We must continue striving on three fronts. 1) We must mobilize and muster more design and technical forces so as to provide timely, varied village architectural designs adapted to local requirements. 2) We must adopt varied approaches readily acceptable to the peasants and positively disseminate existing design results. Weinan Prefecture in Shaanxi has surveyed the various housing types already built by the peasants and has put them into a design portfolio that has been well received. 3) We must reinforce town planning and design forces. All county construction bureaus that have already established design offices should enthusiastically accept the task of planning and construction design for towns in their area; in counties where conditions are suitable, independent town planning and construction design offices may be established.

4. The town construction management system must be reformed, and "centralized planning, comprehensive development, and complementary construction" should be gradually implemented. Implementing "centralized planning, comprehensive development, and complementary construction" is an important aspect of reforming the town construction management system. This means following plans to institute centralized land requisition, demolition and removal, surveying, design, and construction for such infrastructure works as town government, public facilities, power, communications, and flood prevention, with comprehensive planning for the distribution of financial, material, and human resources for construction. This approach is beneficial in controlling town size, preventing chaotic land requisitioning and construction, and ensuring that plans are implemented; it is beneficial in improving the land utilization rate and saving land; it is beneficial in meeting the needs of peasants moving into town to build homes and promoting an adjustment in the rural industrial structure; and it is beneficial in raising construction funds and achieving complete infrastructure. An important strategic policy for our development of villages and towns is encouraging peasants to come into town to open factories and shops to enrich the town economy and promote town construction. During this process, we must consistently follow the principle of using plans to guide construction. In addition to reinforcing plan management, we may also adopt a comprehensive development approach for peasants building homes in town, providing centralized construction of commercial buildings to be leased or sold to individuals or collectives.

5. A varied, multichannel approach must be adopted to solve the problem of town construction funds. Self-sufficiency should be the cornerstone with regard to town construction funds; they should be provided primarily by developing the economy and expanding accumulation. Specifically, the following approaches can be adopted: 1) A certain percentage may be taken out of any excess income of the township-level financial departments, to be applied to construction of town infrastructure and public facilities. 2) Governments at all levels should plan to build some of their enterprises and institutions at the town level; investment in the pertinent facilities should be made an important component of the sources of town construction funds. 3) Encourage and attract individuals and units to come to town to conduct the various governmental and public utility services. 4) Positively expand horizontal economic integration with the pertinent enterprises and institutions so that construction projects are carried out jointly. 5) Positively promote the



operation of commercial buildings, using the profits for town construction. 6) Collect and utilize a one-percent urban maintenance and construction tax. 7) City and county governments should provide the necessary subsidies. After a city has involved the counties, the city government should in particular appropriately increase its subsidies for town construction. 8) Implement the policy of "people's cities and people's construction," organizing the units and citizens of towns to participate in labor for the public good, and, according to the principle of bearing a reasonable burden and benefiting from it, raise appropriate funds for construction of infrastructure and public services and facilities.

In summary, we must pursue the policy of reform, decontrol, and invigoration, opening up financial sources and exploiting the enthusiasm of the state, local governments, collectives, and individuals, so as to solve the construction fund problem through varied means and channels.

It must be emphasized here that town construction funds should definitely be properly managed and utilized; we must resolutely do what we can to use limited funds in areas where they are most urgently needed, particularly in developing infrastructure, and preventing extravagance and waste, formalism, and self-serving competition.

6. Realistically strengthen construction of a socialist spiritual civilization in the towns. The resolution of the Sixth Plenary Session of the Twelfth Party Congress regarding the guiding policy for a socialist spiritual civilization pointed out that "Construction of a socialist spiritual civilization is an important matter related to the success or failure of socialism." "The basic tasks of a socialist spiritual civilization are to adapt to the needs of socialist modernization, to cultivate idealistic, moral, educated, disciplined socialist citizens, and to raise the ideological and moral nature and the scientific and cultural level of the Chinese race." From overall layout to specific works, our town construction must conscientiously carry out and realize this spirit, realistically strengthening the construction of a socialist spiritual civilization in the towns. Two points are to be stressed here: 1) Construction of a socialist spiritual civilization must be given an important place in the town development strategy; it should be closely integrated with town planning, construction, and management. 2) Village and town construction departments should realistically strengthen their own spiritual civilization construction, firmly establishing the idea of serving 800 million peasants, cultivating good professional ethics, and rectifying any unhealthy trends in the industry.

7. Reinforce leadership and improve management levels. Since the Third Plenary Session of the Eleventh Party Congress, China's village and town construction has gradually moved away from spontaneous construction onto the track of guided, planned, phased construction; management work and management institutions have also gradually moved away from nonexistent management onto the right track. Town construction management institutions have basically been established at the provincial, prefectural and county levels. The country's 29 provincial-level town construction management institutions are staffed by 199 people; there are 288 prefectures and cities with such institutions, staffed by 830 people; there are 2,249 counties that have established such

institutions, staffed with 7,852 people; and there are 20,491 towns and townships with a total of 31,400 construction assistants. This ensures the stable development of town construction.

To adapt to the new situation of vigorous town construction and to forcefully raise management levels, we must realistically strengthen the legal system. During the Seventh 5-Year Plan, a system of economic and technical rules and regulations for the management of town construction is beginning to take shape; it closely combines administrative and legal management. In addition to this ministry having to accelerate the pace of national legislation for town construction, local governments must also formulate local rules and regulations according to local conditions and in keeping with the relevant state legislation and regulations; they must also vigorously enforce them, so as to strengthen legal management of town construction.

Governments at all levels, and especially county and township governments, must reinforce their leadership over town construction. The key to proper town construction lies with the county and township governments. We hope that each county and township (or town) magistrate will be concerned with town construction and will truly treat proper town planning, construction and management as an important task for the county and township (or town). They must especially strengthen their leadership over pilot town construction projects. The various leading comrades responsible for town construction must make a greater effort in their town construction work. Urban and rural construction departments at all levels must conscientiously study and find ways to adapt town construction to these characteristics so as to get on a scientifically sound path offering comprehensive benefits.

8. Greatly increase research and training. The technical and management levels of town construction must be improved, with a focus on scientific research and training of skilled personnel. During the Seventh 5-Year Plan, we must concentrate on developing appropriate technologies and on applied research. For example, energy conservation in rural architecture, standards and norms for rural construction, technical quotas and indices for planning, research into planning theory and methodology, village construction materials, standardized designs and components, research into component production techniques, and developmental research into small water works, etc. To this end, we must exploit enthusiasm in all quarters, gradually establishing a town construction research system to coordinate the "spark plans" formulated by the pertinent departments. Our preliminary proposal is to establish a town construction research institute in Beijing, in northern China, and in southern China, in order to form a nationwide town construction research center. Each province should set up a town planning and design office in their urban and rural planning and design institutes to form local research centers.

As for training, we should continue implementing the policy of "combining dissemination and improvement, focusing on improvement," and adopt the "multiple means, hierarchical training" approach. During the Seventh 5-Year Plan, training should focus on specialized middle schools, with a suitable amount of training for students in institutions of higher learning; at the same time, we must see to the training of county and township (or town) magistrates and their assistants and of technical personnel. Our goal is to

rationally distribute technical personnel in the various town construction management institutions: each county should have one or two university students, and two or three middle-school students; each township (or town) should have one or two secondary technical-school students. To achieve this goal, we must expend a great deal of energy and exploit the enthusiasm of the central and local governments. We must continue running the town construction training centers in Xiaogan, Hubei, and in Baoding, Hebei, and focus on training mid-level and senior town construction personnel. In the "two schools in one province," we must also expand bases for training town construction personnel.

In 1987, town construction must focus on the following work:

1. Continuing to adjust and perfect town planning. First, on the basis of the 1986 pilot towns, we must select certain towns where we can undertake the work of revising and perfecting plans. Second, we must gradually start revising and perfecting village plans.

2. Continuing to concentrate on village construction designs. In order to gradually enable peasants to build their homes according to blueprints, we must: 1) continue drafting various interchangeable blueprints; 2) continue mustering the technical forces for urban planning, design, research, and universities and technical schools, in order to provide varied, new, high-quality designs, and recruiting university and technical-school students to serve town construction; 3) continue holding design competitions of various types and push the development of town construction designs; the best options selected should definitely be turned into working drawings and compiled in design portfolios for selection by peasants; 4) concentrate on the problems of earthen vault construction, flood prevention, cave-in prevention, and cave lighting and ventilation for Shaanxi, Gansu and Ningxia; 5) induce peasants to do away with feudal customs when they build homes.

3. Continuing working on town construction test sites. In addition to continuing with the three pilot towns of Bixi, Qilitang, and Sanshui, the ministry intends to add 10 different integration sites in order to gain more experience and increase types of guidance.

4. Accelerating the pace of legislation. The ministry is now formulating "Town Planning Quotas and Indices" and revising the "Principles of Town Planning." All village construction departments should pay greater attention to and reinforce legislative work, gradually completing a regional set of rules and regulations for town construction.

5. Conscientiously restructuring the physical appearance of villages and towns, focusing on the problems of roads, the "three dumps" (grass piles, manure heaps, and garbage dumps), and toilets. Based on the principle of spending less money and doing more, we must use local materials, paving roads with gravel and cinders, and improving town road conditions. In accordance with local conditions, we must gradually solve the "three dumps" and toilet problems. We must mobilize the masses to make use of the land in front of and behind their homes for planting trees and flowers along rivers and roads and beautifying the environment.

6. Reinforcing the construction of spiritual civilization in the town construction departments themselves and educating the masses of town construction personnel in establishing a spirit of "responsibility towards the people, acting on behalf of the people." We must continue improving the professional levels of town construction assistants and planning and construction personnel, to enable them to adapt to the demands of intensified and detailed planning and town construction management.

13322

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## PORT CONSTRUCTION IN SHENZHEN SEZ

Changsha JINGJI DILI [ECNOMIC GEOGRAPHY] in Chinese Vol 7 No 1 Feb 87 pp 25-27

[Article by Zhang Guowu [1728 0948 0124], of Northern Jiaotong University:  
"Step up Harbor Construction at the Shenzhen SEZ To Meet the Requirements of  
Its Economic Development"]

[Text] The Shenzhen SEZ is located on the east side of the Zhujiang delta. It borders on Hong Kong in the south, and Dapeng Bay in the east. To its west lie Shezhen Bay and the Zhujiang estuary. Its east and west coastlines are 171 km in length, about one-third of which is on deep water. It is an important port city not just of the southeast coastal area but of China as a whole.

The Shenzhen SEZ's GVIO was 1.8 billion yuan in 1984, 30-fold that in 1979. With continued implementation of the central policy of opening to the outside world and the successful resolution of the issue of Hong Kong's return, the SEZ industry and trade will grow even more rapidly. It is important to develop the Yantian deepwater harbor in the eastern part of the SEZ and strengthen relations with Hong Kong. Now the Hong Kong harbor's cargo handling capacity has already reached the saturation point, and the neighboring Dapeng Bay offers the best deepwater harbor to relieve the pressure on Hong Kong. Therefore, an important question by the SEZ faces is how to correctly assess the Yantian, Mawan, Chiwan, and Shekou harbors in eastern and western Shenzhen, develop and use these valuable coastlines in a rational way, and bring into full play the role of Shenzhen as a seaport.

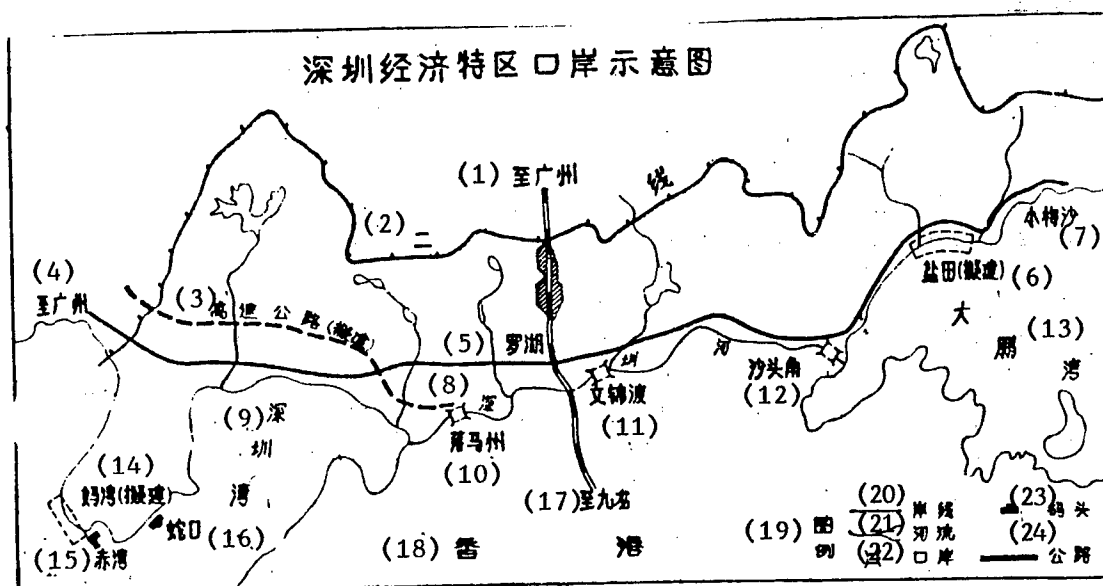
#### I. Shenzhen Port Construction Plan

A comprehensive assessment and evaluation of the Yantian, Mawan, Chiwan and Shekou harbors is necessary. On the basis of their present concrete conditions, their functions should be as follows:

1. Yantian harbor: On the basis of its natural conditions, more than 100 deep-water berths can be built in the future. The harbor has a long deepwater coastline and good navigation channel, and it is free from sedimentation, protected by natural barriers, with fairly good land transport facilities, and close to Hong Kong. For these exceptional advantages, it should be developed into a

giant multipurpose transfer port serving not just Shenzhen but sea transportation of the south and east coastal areas, even the whole country and the world. While functioning as the port serving the development and industrialization of eastern Shenzhen, it will also relieve the traffic pressure on Hong Kong which is overflowing with export cargoes and itself serving as a transfer port for other countries.

2. Mawan harbor: It can share with the Huangpu harbor the cargo-handling tasks in domestic and foreign trade for the Zhujiang delta and the Zhujiang river system. The exploitation of offshore oil in the South China Sea should also be taken into consideration in determining the scope and speed of Mawan harbor development.



Sketch Map of Shenzhen SEZ Border Checkpoints

- |                             |                            |
|-----------------------------|----------------------------|
| 1. To Guangzhou             | 13. Dapeng Bay             |
| 2. Second borderline        | 14. Mawan (harbor planned) |
| 3. Expressway (planned)     | 15. Chiwan                 |
| 4. To Guangzhou             | 16. Shekou                 |
| 5. Luohu                    | 17. To Kowloon             |
| 6. Yantian (harbor planned) | 18. Hong Kong              |
| 7. Xiaomeisha               | 19. Legend                 |
| 8. Shenzhen He              | 20. Coastline              |
| 9. Shenzhen Bay             | 21. River                  |
| 10. Luomazhou               | 22. Border checkpoint      |
| 11. Wenjindu                | 23. Wharf                  |
| 12. Shatoujiao              | 24. Highway                |

3. Chiwan harbor: Chiwan can be built into a medium-sized harbor. For the near future it can serve Shenzhen and Guangdong. In the long run it will become a logistic base for South China Sea oil. At present, it can handle some cargoes for domestic and foreign trade with its existing facilities.

4. Shekou harbor: Limited by depth and channel conditions, Shekou can only be developed into a small local harbor, serving mainly the passenger and cargo traffic brought by the growth of the Shekou industrial district.

Based on natural conditions, Mawan, Chiwan, Yantian, Shayuchong, Shangwei, Xichong, and Dapengao all meet the requirements for development into deepwater harbors. All things considered, however, Mawan and Chiwan appear to be more suitable for early development. The two neighboring bays are situated on the east bank of the Lingdingyang at the mouth of the Zhujiang. Located in western Shenzhen, they are 80 nautical miles from Guangzhou and 20 nautical miles from the central district of Hong Kong. All ships going into or out of the Zhujiang estuary must pass by them. Chiwan is a concave bank opening to the west. Nestled in surrounding hills, it is well protected. There is not much silt in the bay, and after dredging, wharves of the 10,000-ton class can be built. Mawan lies north of Chiwan. Its steep bank drops into deep water, and 600 meters from the bank is the Lingdingyang trough. A 10-meter-deep bathymetric contour lies just 900 meters from the bank, and the water is 12 meters deep 300 meters further offshore. After dredging, wharves can be built for tankers of 25,000 to 50,000 tons. There is no railway to Mawan and Chiwan. However, a feeder line can be built from the Sungang station of the Guangzhou-Kowloon Railway to the harbor area. The distance is just about 38 km, and there is no need to build tunnels or bridges. There are roads to Shekou and Nantou to link up with the second-grade highway between Guangzhou and Shenzhen. Mawan's main drawback is that it is not well protected, and the necessary terrain features are lacking for the construction of breakwaters.

The Dapeng Bay is outstanding for its deep water, siltlessness, straight and smooth channels, long coastline, wide anchorage, and good natural protection. Particularly between Yantian and Yujiaozui, a 10-meter-deep bathymetric contour is only 700 to 800 meters offshore, and wharves of 30,000 to 50,000-ton class can be built with a little dredging. Ships of the 100,000-ton class can be tied up to mooring bouys. Its natural conditions are superior to those of Mawan and Chiwan. However, Yantian is short of level ground. Much of the coastline consists of mountain cliffs plunging straight into the sea. Harbor construction will require a great deal of earthwork to remove mountains and create new land. Yantian is still a small town more than 20 km from downtown Shenzhen. Shenzhen city's growth toward the east will give new vigor to Yantian's development. Yantian should be planned as a very large harbor, and preparations for harbor construction should be completed as soon as possible.

One of China's major transport problems at present is the lack of docking capacity in its harbors, particularly for large ships of the 50,000- to 100,000-ton class. Merchant ships are getting bigger and bigger the world over. Tankers with a capacity of several hundred thousand tons are commonplace.

Among China's harbors, 100,000-ton berths have been or will be built only in Shijiusuo, in Shandong, Beicang, in Zhejiang, and Meizhouwan, in Fujian. The Yantian harbor area on Dapeng Bay is superior to any of the above-mentioned in geographical position, ship channels, natural protection, and land transport facilities. We have analyzed, compared, and appraised Yantian against three other harbors of the same class including Beicang, Meizhouwan, and Huangpu in Guangdong, using 10 norms and the systems analysis theory and method.

An analysis of the advantages of the four harbors shows that Yantian is better than the other three harbors. Therefore, one way to solve the lack of berthing capacity for large ships is to speed up the construction of the Yantian harbor. The harbor is needed even more urgently for building Shenzhen into an export-oriented, dominantly industrial, SEZ.

When the harbor is built, the volume of cargo it handles can be calculated. What cannot be calculated is its potential for future growth, considering its unique natural advantages and the amount of cargo traffic it will attract.

Moreover, after completion of the Yantian harbor, with the adoption of appropriate policies, it will inevitably attract some of the goods which normally flow through Hong Kong. This is an inevitable trend of future development. Introducing foreign capital and advanced management technology from abroad to speed up the construction of the Yantian harbor and turn it into a major domestic and international transfer seaport--this is a strategic policy for the development of the Shenzhen SEZ and China's transport system as a whole.

## II. Build Shenzhen City Into a Port City, Properly Handle the Relationship Between Harbor Construction and Urban Development in the SEZ.

Considering the economic and geographical position and environment of the SEZ and the development of harbors along the Shenzhen coast, Shenzhen City should become a port city for the following reasons:

1. There is a long coastline in both eastern and western Shenzhen, and one-third of it is on deep water. This constitutes the basic condition for Shenzhen to be developed into a port city.
2. There are many sections along the east Shenzhen coastline on Dapeng Bay, which are suitable for harbor construction, particularly large deepwater harbors. Among them, Yantian is one of China's best deepwater harbors. The eastern and western harbors flanking Shenzhen City will have a great impact on the city's structure, layout, and functions. For example, taking advantage of the conditions provided by Hong Kong and Yantian deepwater harbor, it is possible to develop the marine, power, warehousing and storage, electronics, and other industries and commerce and trade and turn Shenzhen into an export-oriented, diversely industrial, combined special economic and foreign trade zone.



3. Shenzhen City's development, especially the building of an export-oriented SEZ, cannot be successful without first solving the transport problems, sea transport in particular. Construction of an extra large harbor such as Yantian will bring Shenzhen in contact with the world economy and accelerate the SEZ's growth.

Based on the previously mentioned factors, Shenzhen should become a port city. In SEZ development and urban planning, the advantage of being on the edge of the sea should be taken into full consideration, and harbor construction should be accelerated. At present, priority should be given to the construction of the deepwater harbor on the Dapeng Bay.

III. Understand the Significance of Transport to the Shenzhen SEZ, Speed up Harbor and Transport Construction To Meet the SEZ's Requirements.

1. SEZ cadres must have a better understanding of the great significance of transport and harbor development.

To speed up transport construction, it is necessary first to increase the cadres' understanding of the importance of transportation to the SEZ. The Shenzhen SEZ's transport system has the following important functions: First, it is the basic means of internal circulation for the economy of the Shenzhen SEZ. Without this means, the economy of the SEZ cannot develop. Second, it is the basic means of external circulation for the economy of the Shenzhen SEZ. To build Shenzhen into an export-oriented SEZ, there must be good transport facilities for the necessary circulation of goods and materials, linking Shenzhen with other parts of China and other countries. Third, it is the basic means to build a good investment environment in Shenzhen to attract investment from abroad and establish lateral ties at home. With good domestic and international transport facilities, it will be easier to attract Chinese and foreign investment and speed up the development of the Shenzhen SEZ.

2. Meetings should be held to study and discuss the functions and rational development of the Yantian, Mawan, Chiwan, and Shekou harbors in eastern and western Shenzhen to achieve unity in understanding and promote rational development of the harbors.

To do a good job in harbor construction for Shenzhen, a meeting to appraise all the Shenzhen harbors should be called as soon as possible, and experts and leaders concerned in all parts of the country should be invited to attend. Past achievements should be evaluated, studied, and analyzed, and opinions should be exchanged. On the basis of a common understanding thus achieved, a Shenzhen harbor development plan and a construction schedule should be worked out by Shenzhen City and relevant leading departments so that the harbors can be developed in a rational way.

3. To strengthen protection and management of the Shenzhen coastline, Guangdong Province and Shenzhen City should draw up Shenzhen coastal management regulations as soon as possible. In the past few years of Shenzhen's

development, because no one was responsible for the coastal areas, and there was no specific management regulations, there have been cases of unreasonable occupation and destruction of coastal land. We understand that some provinces and regions have already enacted coastal management regulations, and we suggest that the Shenzhen City government draw up rules and regulations for the management of the Shenzhen coastal areas as soon as possible to ensure rational use, control, and protection of the coastal areas.

4. Greater efforts should be made to study and formulate a plan on developing the Shenzhen SEZ's transport system. It is also necessary to gradually learn the characteristics of the transport system's development, which should be studied, explored, summed up into a model of a fairly high standard, and used to build up our theoretical knowledge on SEZ transport systems.

5. It is necessary to strengthen research on Shenzhen SEZ's transport development, modern transport management, and relevant policies to speed up the development of the SEZ's transport system.

To do a good job in developing Shenzhen SEZ's transport system, it is necessary to formulate policies on the construction and management of such a system. For example, there should be specific policies on priorities in urban transportation development, SEZ harbor management and operations, and management of urban roads and transportation means. Shenzhen SEZ's transport development and management should be guided by policies.

6. To meet the requirements of Shenzhen's developing transport system, it is necessary to improve the quality of the city's transport cadres.

To do a good job in Shenzhen's transport development and management, the key still lies in training more cadres with a certain level of knowledge in transport development and management, while improving the quality of the existing transport cadres. There should be both long-term and short-term training, both full-time and in-service training, so that the training of transport workers in Shenzhen can be speeded up to meet the city's transport requirements as quickly as possible.

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## SEARCHING FOR ECONOMIC DEVELOPMENT MODEL FOR SHENZHEN

Beijing JINGJIXUE ZHOUBAO in Chinese 3 May 87 p 3

[Article by Yuan Wenqi [5913 2429 4388], Chen Jiaqin [7115 1367 0530], Jia Sukuan [6328 5685 2949], and Liang Zheng [2733 2398]: "Economic Development Model for Shenzhen Must Be Export-Oriented"]

[Text] Editor's note: Shenzhen is a special economic zone [SEZ] adjoining Hong Kong. Since its establishment in 1979, it has achieved a good deal in urban development and export expansion and accumulated some successful experience. Nevertheless, a number of problems have arisen in the proposal stage and the course of development which must be solved urgently. As of to date more than half of its products are shipped to the interior market. Some Sino-foreign joint ventures still fail to balance their foreign exchange. The urban infrastructure and industrial production capacity have fallen behind badly. In the service sector, particularly high-class hotels, supply has outstripped demand. How should these problems be interpreted and solved? We may and should have different opinions on them. Comrades Yuan Wenqi, Chen Jiaqin, and others from the Foreign Trade Research Office of the Finance and Economics Institute of the Chinese Academy of Social Sciences recently conducted a study in Shenzhen. As they see it, the key to solving these various problems lies in determining a development model for the SEZ, clarifying our thinking on this point, and then making practical efforts in the direction indicated. The main points of the study follow.

Envisioning an Economic Development Model for Shenzhen

We envision the ideal economic development model for the SEZ as this: totally open, export-oriented, combining export with import substitution, gradually building an export-oriented economy on the basis of intensive development. It is objectively necessary and feasible for us to choose such a development model for Shenzhen.

First, China's socialist modernization objectively requires us to choose the above model. China's aim in setting up SEZ's is to use them as a window to import technology, capital, and managerial know-how and to speed up modernization. A strategy that stresses export-led growth and the development of an export-oriented economy not only makes it easier for high tech to upgrade the industrial structure of the national economy and promote national

economic growth, but also focuses the economy of the zone on the high tech revolution in the world and preserves the zone's economic leadership. Moreover, a strategy that emphasizes export-led growth and export-oriented economy is compatible with China's multi-level and targeted plan to gradually open itself to the world, beginning with the coastal region--the SEZ's, coastal open cities, and open economic areas--and then working its way toward the interior. It will intensify the snowball effect of the open policy and help attract foreign investors to China.

It should be pointed out that Shenzhen borders on Hong Kong and is in a uniquely favorable geographical position. It takes about half an hour to travel by car from Kowloon and the New Territories to Shenzhen. Its close proximity to Hong Kong is Shenzhen's greatest asset. From the perspective of foreign trade, Shenzhen has quick access to information and circulation channels abound. More comparative advantages accrue to it than to other SEZ's and economic open areas along the coast. As a center for international trade, Hong Kong has an extremely sophisticated commodity economy and an all-round market system. Only by increasing exports to Hong Kong, or expanding entrepot trade through Hong Kong, and by importing capital, technology, and managerial expertise from Hong Kong can Shenzhen play its role fully as a hub and center from which technology and capital emanate to the rest of China.

Second, China's strategy of recovering Hong Kong also requires Shenzhen to follow the above development model. China will reoccupy Hong Kong in 1997 and it is a matter of critical importance affecting the overall situation that we handle the relations between Shenzhen and Hong Kong properly. The future of Hong Kong is a vital issue in which people at home and abroad, particularly Hong Kong compatriots, are deeply interested and which will also significantly impact Taiwan's reunification with the motherland. If we adopt the above development model, there is a chance Shenzhen's economy may develop rapidly. And Shenzhen's prosperity and development will have a direct effect on Hong Kong's future stability.

Third, adopting the above-mentioned economic development model satisfies the need to adapt to changes in the world economy and industrial structure and to shifting comparative advantages. The world economy is currently in a historic stage of drastic change and the international economic structure is in a state of flux. The pace of economic change is particularly hectic in the Asian Pacific area where formerly "isolated" economies are opening up. At the first level are developed nations like U.S. and Japan whose industrial structure is shifting toward a technology- and knowledge-intensive model. As the high tech revolution rages ahead, they are constantly developing new products and new markets. At the second level are newly developed nations and regions whose economies are dominated by labor-intensive industries. They are continuously taking over the markets for one product or another in the U.S. and Japan and are edging closer toward technology- and knowledge-intensive industries. Representing the resource-intensive economic structure, developing nations like member countries of the Association of Southeast Asian Nations [ASEAN] are quickening their ascent to the second level. Comparative advantages are shifting: the markets for labor-intensive products made in the Hong Kong region, Taiwan Province, Singapore, and South Korea are gradually falling into the hands of ASEAN nations.

Therefore, it is imperative that we adopt for Shenzhen a model that emphasizes export-led growth and combines export with import substitution in order to take advantage of the opportunity afforded by the shifts in the world economy and industrial structure and changing comparative advantages, and use Shenzhen's export-oriented economy in a timely way to fill the international commodity markets vacated by industrially developed nations.

#### Basic Requirements for Choosing An Economic Development Model for Shenzhen

We learned from our study that basic conditions currently exist in Shenzhen to enable it to adopt an economic development model emphasizing export-led growth and combining export orientation with import substitution. First, the SEZ has essentially become an all-round, diversified, and multi-functional modern city. After 6 years of construction, this former small border town in Poan County now has the beginnings of a modern city and boasts fairly good commercial, foreign trade, service, and financial networks and circulation channels, a technically advanced industrial district in Shekou, a full lineup of industries, and a host of agricultural byproduct export production bases in Poan County. It also has scenic and tranquil resort villages like Xilihu and Xiangmihu, tourist centers such as Yinhu and Xiaomeisha, and tourist facilities like Shiyahu hot spring. In short, owing to the import of foreign funds and technology and the establishment of economic linkages with the interior, Shenzhen has created a fairly favorable investment climate, in terms of the urban infrastructure and production capacity, and become much more attractive to foreign investors.

Second, the SEZ has developed a basic capacity to export and earn foreign exchange. Since 1984, when it began shifting to a development strategy emphasizing industry, trade-industry integration, and exports, it has significantly increased its industrial exports, its production bases for live fresh produce have made progress, and its industrial structure and export mix have been further rationalized. As a result, the SEZ is gradually becoming more competitive in the international market and better able to export and earn foreign exchange.

Third, following years of practice, the SEZ has trained a corps of cadres with a pioneering spirit and adept at dealing with foreigners. All these qualifications lay a solid foundation for the realization of the economic development model by Shenzhen.

#### Policies To Achieve the Economic Model

The following proposals are put forward to help achieve the above economic development model:

First, we should increase the power of the SEZ government to regulate exports and imports used in making re-exports. The SEZ government should be authorized to issue export licenses and examine and approve exports and imports. To strengthen supervision and management by the departments in charge at higher levels, it is suggested that the Ministry of Foreign Economic Relations and Trade and Guangdong Province set up branches in the zone and

staff them with specialized personnel to deal with and resolve problems on the spot. As far as exports are concerned, the present license and quota management systems should be overhauled. In the case of fresh live produce destined for the Hong Kong market and commodities subject to import restrictions imposed by other nations, the SEZ should draw up a plan each year for submission to the departments in charge at the central level. After reviewing the plan, the latter should issue to the SEZ quotas and licenses as well as the plan. It should be the responsibility of the zone to issue licenses. Moreover, a bidding system should be applied to part of the commodities subject to quotas and governed by the license system. Under the bidding system, the SEZ government should follow the principle of comparative advantage and allocate quotas to whoever has low production costs and high selling prices, earns more foreign exchange, has stable sources of supplies, and enjoys good credit standing among its customers. Accordingly, the zone's export examination-and-approval power should be augmented. The export of local products not subject to quotas and outside the license system should be completely regulated by the SEZ government. (The export of local products subject to quota restrictions written into agreements should be reviewed and approved by the central government.) Foreign-trade enterprises in the SEZ should be allowed to act as agents for interior units and handle the latter's exports outside the plan and not subject to the quota and license systems, provided they can present evidence of their commission by the prefectural, provincial, or district departments in charge. They should also be permitted to make arrangements with enterprises in the interior for the latter to process imported materials. The zone will then export the finished products either on its own or jointly with the interior.

As for imports, all production equipment and raw materials (including materials whose importation is restricted by the state) should be imported at the discretion of the zone government, provided they are to be used to expand re-exports. Moreover, they should be exempt from tariffs and the combined industrial and commercial tax. The zone government should also be allowed to review and approve applications by foreign-trade enterprises to import with foreign exchange retained production equipment and raw materials (excluding materials under centralized state management and import restrictions, which must be reported to the central government for approval) on behalf of enterprises on the mainland provided that departments in charge of the user units so certify.

Turning to foreign exchange incomes, the SEZ should continue to be required to submit to the higher authorities a set amount of foreign exchange, while retaining any excess for its own use, thus ensuring that the state would not suffer any losses. If the state decides to increase the amount the zone must turn over, the increment should be offset based on the regulatory prices at the Shenzhen Foreign Exchange Regulation Center. In short, only by following the preferential policies above can we gradually effect a transition toward an export-oriented economy in Shenzhen.

At the same time, it should be noted that even as we emphasize that the state should offer preferences to the SEZ, the latter must not be over-dependent on such preferences but instead must work hard to make itself more competitive.

Second, an authoritative centralized managerial and coordinating agency should be created to step up macroeconomic coordination and management. Shenzhen's export enterprises are currently supervised separately by the foreign economic office, finance and trade office, industrial development commission, social economic development commission, and other agencies in the municipal government. Since no one centralized agency exists to coordinate and manage, grassroots enterprises try to isolate one another and compete with one another on the international markets, causing an outflow of profits to the economic detriment of the state, the SEZ, and the enterprises themselves. The lack of unified coordination and management also makes for a powerless SEZ when it comes to gathering international market information, developing new products, and searching for new international markets, among other things. To overcome the weakness and chaos characteristic of export management today, it is proposed that Shenzhen establish a quasi-official organization similar to the Trade Development Council in Hong Kong and Singapore to be responsible for drawing up a SEZ export plan, providing enterprises with information on international market trends, assisting enterprises in product and market development, expanding sales, discharging the administrative management of exports, and acting as an adviser to government export-policy makers, etc. Such an agency is indispensable to the creation of an export-oriented economy.

Third, a mighty effort should be made to develop the zone's production capacity and ability to open up markets. For this reason, the development of the zone should be divided into three stages. During the first stage, the focus should be on the production of agricultural byproducts and raw materials. This may be development at an elementary level, but in view of the zone's special geographical proximity to Hong Kong, Shenzhen will retain its comparative advantage as an exporter of agricultural byproducts for some time to come. Needless to say, agricultural byproducts should not become the mainstay of Shenzhen's present drive for export-led growth. In the second stage, the thrust of Shenzhen's push for export-led growth, specifically, labor-intensive light industries such as textiles and apparel, would become the centerpiece of its export-oriented economy. The fact that Hong Kong is an important international market for textiles, garments, and light industrial products should help bring out Shenzhen's potential in this area. During the third stage, the direction of development should be technology- and knowledge-intensive industries. However, it would be unrealistic for Shenzhen to make these industries its major export industries in the short run. Instead it should gradually create the conditions necessary for such a transition.

It must be recognized that supported by their historical parent cities, the economic and technical development zones in open coastal cities are superior to Shenzhen, whether we are talking about technology and equipment, qualified scientific personnel, or production capacity. We propose, therefore, that the state move part of the machinery and electronic industries and a portion of the scientific and technical personnel on the three fronts to Shenzhen in order to strengthen the zone's industrial foundation so that by directly combining scientific research with production and developing new products based on what the international markets want, it can rapidly break into the world market with technology- and knowledge-intensive products. The aim is to gradually increase the share in total exports of industrial finished products to no less than 70 percent, including more than 50 percent of highly finished

products. At a time when conditions are not yet ripe for Shenzhen to make technology- and knowledge-intensive products for export, it may participate in international division of labor in the realm of production by exploiting its advantage--low land use fees and inexpensive labor costs. For instance, it may enter into economic cooperation with industrially advanced nations by manufacturing some parts and components for electrical machinery. Simultaneously, Shenzhen should vigorously develop the processing of imported materials to add to its lineup of export industries. In agricultural production, it should fully exploit its agricultural resources, adjust the economic structure in the Zhu Jiang delta, and relocate to the city some agricultural byproduct production bases. This is an effective way to achieve comparative advantage. Accordingly, Shenzhen must work with the interior to put joint production and operations on a sound basis, with both sides profiting equally. It is proposed that Shenzhen cooperate with the interior in some lines of exports, such as fresh live produce, where it is in a strong position, with the interior supplying the goods and entering into joint operations with Shenzhen. For example, Beijing can send its force-fed ducks to the zone where they will be fattened and exported to Hong Kong. That way, competition for supplies of goods and markets can be avoided, along with price-slashing, without affecting the drive by the interior to export, earn foreign exchange, and improve export economic results. Since Shenzhen is presently confined to a narrow range of markets, it should lose no time in opening up more distant markets, which means it must energetically train specialized personnel, carry out good international market research, and build up a sales and marketing information network. This is basic and essential to the drive to increase exports to earn more foreign exchange and must be made a priority and achieved in earnest. Within the zone itself, there should be ongoing efforts to perfect a commodity, labor, foreign exchange, fund, technology, and information market system suited to the zone's characteristics in order to meet the requirements of developing an export-oriented economy.

Fourth, industry-trade integration must be furthered and the initiative of foreign trade enterprises and export production enterprises must be mobilized to speed up the entry of products into the international market. At the moment, most of Shenzhen's industries and enterprises are small concerns operating on a limited scale and turning out a diverse range of products. They have little internal resources and would have great difficulty prying open the international market on their own. To a certain extent, the enthusiasm of small enterprises is dampened by the fact that foreign trade companies devote most of their energies to promoting one or two major large-volume exports and ignore the ability of small enterprises and small products to earn foreign exchange. Therefore, we must make use of the strength of specialized foreign trade import and export companies, successfully combine trade with industry, and unleash the initiative of both industry and trade so that the products of small enterprises can make their way into the international markets as soon as possible.

Fifth, to accelerate the realization of the economic development model for Shenzhen, we must adapt its economic system to the model. Toward that end, the market economy must become the operating mechanism in Shenzhen. Otherwise, it will be impossible to make Shenzhen more competitive on the world market or to achieve the development model emphasizing export-led growth and combining export with import substitution.



## JINGJI RIBAO ON 'NEW UNDERSTANDING' OF WAGES

HK240423 Beijing JINGJI RIBAO in Chinese 2 Jun 87 p 2

[Article by Kang Yonghe (1660 3057 0735), member of the CPPCC National Committee and president of the China Labor society: "New Understanding of the Question of Wages"]

[Text] The important issue of wages concerns all people and has extremely close relations with production and people's livelihood. Since 1978, in order to overcome the defects in our wage system, we have changed and adjusted the wage system many times. How should we evaluate our work in this regard? Now, I would like to analyze the new problems and their relations with and differences from the defects in the previous wage systems. This may be useful to our future steps for reforming the wage system.

The new understanding of "low" wages: In 1978, the annual per capita wage of workers in the whole country was 614 yuan; this increased to 1,332 yuan in 1986, marking a growth rate of more than 100 percent. With the price rise factor deducted, wages still increased by 50 percent in real terms over the 8 years. This shows that we have made progress in solving the problem of low wages on the basis of developing the productive forces.

The new understanding of "egalitarianism" in the wage system: Egalitarianism is a fundamental problem in the distribution of wages. Since 1978, we have achieved certain results in overcoming egalitarianism, but egalitarianism still exists in some new forms. In particular, it seems that the decision-making and comprehensive leading departments have not dealt with egalitarianism as a serious problem. It is not a democratic and scientific attitude to merely blame the grass-roots units for the problem of "eating from the same big pot" and merely require them to solve this problem.

The new understanding of "rigidness": Excessive centralist management is the main reason for the rigidness of our wage system. If wages become rigid and inflexible, they will not be able to play a role as an economic lever and the initiative of enterprises and workers will not be brought into play.

From the practice in the past 8 years, we have realized that we cannot properly and thoroughly overcome the three old problems of "low" wages, "egalitarianism," and "rigidness," because they are closely related to three new problems. That is, wages are not to be included in the major ratios in the national economy; the wage leverage has not brought into use; and labor remuneration is not made according to the labor periods.

Due to these reasons, we should pay attention to resolving the following issues in reforming the wage system and to coordinate reforms in various fields:

First, the wage level should be raised at the same rate of the growth of the national economy. Wages have a great bearing on production and people's livelihood and must be taken as an indispensable item in the ratios of the national economic plans and be treated seriously. In the past, when there were financial difficulties, the due adjustment of wages would be easily affected and the plans to raise wages would be easily canceled or postponed. This practice should no longer continue. According to our experience of many years, the appropriate ratio of wages to consumption funds should be about 30 percent. When consumption funds were out of control in late 1984 and early 1985, some people said that the main reason was the increase in wages. In fact, wage increases in these 2 years did not exceed the normal rate, and such criticism is not convincing.

Second, the economic leverage role of wages should be seriously brought into play. Wages play mainly two roles: Promoting production and guaranteeing and improving workers' livelihoods. Wage rises must be based on the enhancement of the productive forces, and the reasonable rise in people's living standards will in turn promote the development of production. It seems that we have not yet deeply realized this truth.

Third, it is necessary to increase wages in a scientific way according to the labor periods in line with the principles of "synchronism," "differential," and "gradualism." "Synchronism" means that all workers who make work contributions should be able to gain work remuneration simultaneously. "Differential" means that there should be differences in workers' wages in line with the differences in their work contributions. Workers who have made greater contributions should be promoted on a floating basis or in other forms. "Gradualism" means that wages cannot be raised by too large a rate each time, because our productivity remains low and our social wealth is still insufficient, and wages can only be raised gradually. Promotion should not be the only way for workers to earn more wages. They should be able to increase income through more channels, such as adjustment of the wage scale, promotion on a floating basis, piece wages, and bonuses. This will enable us to use the wage lever flexibly and promptly promote production.

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## OFFICIAL INTERVIEWED ON SAMPLE POPULATION SURVEY

HK240851 Beijing RENMIN RIBAO in Chinese 23 Jun 87 p 3

[Report: "Responsible Person of the Population Department of the State Statistical Bureau Interviewed on How To Do a Good Job of the Sample Survey on 1 Percent of the Country's Population"]

[Text] Beijing, 22 Jun--The State Council has decided to conduct a sample survey on 1 percent of the country's population on 1 July this year. Today, a responsible person of the population statistical department of the State Statistical Bureau answered our reporter's questions on issues related to the sample survey.

[Question] Since a national census was already conducted in 1982, why is it necessary to conduct another sample survey on 1 percent of the population?

[Answer] Population condition is one of the basic national conditions of a country. The number and composition of the population have always been extremely important issues in our country's economic and social development. The number, composition, and quality of our population also frequently change, with people being born, dying, or moving to other places every minute. This makes it necessary to conduct investigation and compile statistics frequently. For this reason, the "Detailed Rules and Regulations for the Implementation of PRC Statistics Law," approved and promulgated by the State Council on 19 January 1987, stipulates: "The state generally conducts a major general survey of the national conditions and strength (population, industry, agriculture, the building industry, the service trades, and so on) once every 10 years. A simple and easy survey of the population conditions is to be conducted between two national censuses."

Five years have passed since the third national census in 1982. Over the past 5 years, great changes have taken place in the size of China's population, age composition, educational levels, trade and professional patterns, regional distribution, marriage, and birth. Beginning in 1986 in particular, China entered a new baby boom peak. It is necessary to conduct serious investigation into the growth of birth rates in various localities. Discovering these conditions is very important to formulating plans for socioeconomic development, making good arrangements for the people's material

and cultural life, perfecting the birth policy, and effectively controlling population growth. These population conditions cannot be made clear by relying only on regular residence registration. It is necessary to conduct large-scale investigation and censuses in order to obtain more extensive and accurate data. Therefore, doing a good job of the sample population survey is of great importance.

[Question] Which people will be surveyed in the forthcoming sample survey and how do you fix the time?

[Answer] All people of PRC nationality in the localities selected for the sample survey will be surveyed and registered.

The standard time for the survey has been fixed at 0000 on 1 July 1987 and our survey is to make clear the population conditions at this particular time. This is because population conditions change all the time. It is calculated that over 50,000 people are born and over 19,000 people die in our country every day and that many people move from one place to another every day. Only by fixing a standard time for calculation is it possible to find out the population conditions. The fixing of a standard time for calculation means that a baby born after 0000 hours on 1 July 1987 will not be registered because it will not have been born at that time, but those born before that time should be registered.

[Question] Since the key to the success or failure of this survey is quality, how do you control the quality of the survey?

[Answer] This question is very important. The survey quality is the lifeline of a sample population survey and accurate data is the basis for correct policy decisions. In a sample survey, in particular, the data of a person represents that of over 100 people. It will affect the quality of the entire survey if a certain item regarding a certain person is wrong or has been omitted. This makes it necessary for the personnel taking part in this survey to be both conscientious and responsible and to guarantee the quality of the survey. All people to be surveyed should have the nation's interests in mind and truthfully report every item to ensure the complete success of the largest sample population survey in Chinese history.

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## TRANSPORT TASKS FOR FIRST YEAR OF 5-YEAR PLAN FULFILLED

Beijing ZHONGGUO JIAOTONG BAO in Chinese 28 Mar 87 p 1

[Article by staff reporters Li Yanyi [2621 1750 0001] and Feng Shiming [6646 6108 6900]]

[Text] Qian Yongchang [6929 3057 2490], minister of communications, announced at the national conference of transport department and bureau directors: Communications and transportation made a good start in the 7th 5-Year Plan, fulfilling all tasks on schedule in the first year.

He said: According to initial estimates, the volumes of passenger and freight traffic handled by various means of transportation in 1986 were as follows: highway passenger volume, 5.17 billion persons or 190.69 billion person/km, an increase of 10 and 13.5 percent, respectively, over 1985; highway freight volume, 5.76 billion tons or 179 billion ton/km, up 0.2 and 1.1 percent from 1985; waterway passenger volume, 330 million persons or 18.03 billion person/km, up 17.8 and 1.1 percent from 1985; and waterway cargo volume, 740 million tons or 847.32 billion ton/km, up 25.4 and 10.7 percent from 1985. The volume of cargoes handled at seaports was 380 million tons in 1986, a 12.7-percent increase over 1985, exceeding the target of a 7.4-percent annual increase set by the 7th 5-Year Plan. The serious situation of crowdedness and delays in ship and cargo handling in China's harbors, a problem of many years, was eased somewhat. All major transport construction projects fulfilled the year's plan. In 1986, 15 deepwater berths and 6 middle-class berths were completed, adding more than 27 million tons of new cargo-handling capacity; more than 520 km of inland river channels were rebuilt; more than 20,000 km of new highways were built, and 15,000 km of roads were rebuilt; 2,500 km of the new and rebuilt roads were class 1 and class 2 roads; and more than 3,000 new bridges were built. Construction was in full swing on 10 middle-class and foreign-trade berths at major harbors on the Chang Jiang and the Guiping key shipping project on the Xi Jiang. Fairly good progress was made on the Beijing-Hangzhou canal channel and lock construction and Qiantang Jiang link-up projects. Besides, the preconstruction work called for in the 7th 5-Year Plan was basically completed, reversing a passive situation of long delays in preconstruction preparations. The major S&T research projects in the 7th 5-Year Plan were getting under way, with contracts signed on more than half of the projects.

In reforming the transport management system, several laws and regulations were formulated and promulgated by the ministry and local authorities in the past year. Transport management organizations at various levels were readjusted and strengthened, and management work was gradually improving. At the same time, transport departments in most provinces (regions) transferred all or part of the enterprises under their jurisdiction to the key cities. The ministry transferred seven harbors directly under its control to key cities. Enterprises were given greater power and vitality, and various forms of responsibility systems were being implemented. Enterprise economic performance and management standards were gradually improving with examples in 10 national outstanding quality control groups, 94 ministry-wide outstanding quality control groups, and Yantai Harbor which won the "national quality-control award."

Remarkable progress was made in building spiritual civilization. Education on professional ethics and activities to "create civilized units" were developed widely among transport workers and staff members throughout the country. The industry's style took a turn for the better.

Minister Qian stressed: The previously mentioned results could not have been achieved without the support of the central and local authorities. The State Council gave several important policies to transport construction last year, creating good conditions for transport development during the 7th 5-Year Plan period. Local governments at all levels regarded transport construction as a major part of the strategy to develop the economy and enliven circulation, and adopted many realistic measures. With the concerted efforts of transport workers, government organizations, and the masses, a new upsurge in "roadbuilding, bridge construction, harbor development and river harnessing" was emerging across the country.

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## TRANSPORT MANAGEMENT REFORM PLAN UNVEILED

Beijing RENMIN RIBAO in Chinese 29 Mar 87 p 1

[Article by staff reporter Zhang Guorong [1728 0948 2837]: "Reform Plan for Transportation Management Transfers Management of Ports and Industrial Enterprises Belonging to the Ministry of Communications to Local Governments: Ministry of Communications Exercises Sectoral Management and Macroeconomic Control"]

[Text] The Ministry of Communications made public its plan for reforming the transport management system on 27 March. The plan was decided on after repeated deliberations and appraisals. In accordance with the principal of separating government from enterprise and ownership from managerial authority, all coastal harbors and industrial enterprises directly under the ministry will be put under local administration. The ministry will continue to exercise its government functions and maintain trade management and macrocontrol.

According to the reform plan, the 15 coastal harbors directly under the ministry, with the exception of a few highly specialized ones, will be placed under local administration. It will be a system of "dual leadership with city governments playing the major role." All large and small harbors on the Chang Jiang will be put under local administration. Those at key cities will be managed by the city authorities. Some small harbors and stations will be placed under the control of large harbors. All industrial enterprises directly under the ministry will be placed under local administration, but the factories will continue the same types of production, and the ministry will continue to set product standards, specifications, and quality requirements and issue product permits. The principle of separating government from enterprise and ownership from managerial authority will be implemented in the large ministry-owned transport and capital construction enterprises so that these enterprises will become relatively independent economic entities. With the separation of government from enterprise functions, the regional restrictions to the enterprises' operations will be gradually lifted. Restrictions to foreign ships in the field of domestic water transport will be relaxed. The enterprises are encouraged to engage in reasonable competition among themselves, form horizontal ties, and develop both domestic and international markets. Administration and scientific research will be separate, and the transport research institute will be restored and strengthened to organize and implement transport research tasks under a unified plan.

publication of the transport management system reform plan marks yet another step taken by the Ministry of Communications to intensify the reform program that has been going on for several years now. The ministry calls for efforts to work with meticulous care with the enterprises to be put under local administration. The authority which should be given to the enterprises must be really given to them. The reform plan is to be implemented always through full discussions and consultations with the departments concerned. The enterprises will be transferred to local administration one by one in ways suited to local conditions and when conditions are ripe. There is no fixed formula, and they are not required to be transferred in the same manner at the same time.

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## REFORM OF INLAND RIVER TRANSPORT PRICE SYSTEM URGED

Beijing ZHONGGUO JIAOTONG BAO in Chinese 1 Apr 87 p 3

[Article by Zhou Zongshi [6650 1350 0013], of the Transport Section of the Hubei Provincial Shipping Bureau: "The Price System of Inland River Transport Must Be Reformed"]

[Text] The present inland river transport price system is defective and causes abuses in many ways. The most obvious manifestations are the overconcentration of price-fixing power and the rigid control over forms of prices. They not only hamper the smooth progress of the reform of the shipping system, but impede the efforts to form lateral ties and invigorate the enterprises, thus restricting the development of the productive forces. Therefore, to invigorate the enterprises and enliven the river shipping industry, the price system must be brought into line with the reform of the inland river transport system so that both can be reformed simultaneously and in a coordinated way.

First, the power to set shipping prices should be turned over to the organization in charge of inland river transport, so that shipping prices not only will become a real economic lever for the river transport industry, but can be used as an important economic means for macroeconomic control over inland river transport. Under the present system, shipping prices are determined by the price departments at various levels, and their decisions cannot be challenged. In the past few years, prices of industrial and agricultural products have all been readjusted to meet the requirements of the development of the commodity economy. On the average, prices of industrial and agricultural products have been readjusted every year in Hubei. The general index of purchasing prices for farm and sideline products has increased 65.1 percent, of which grain increased 97.1 percent and other farm and sideline products 78.9 percent. The prices of more than 500 industrial products, which used to be set by the state, are now regulated by the market, and price controls on more than 500 other industrial products have been relaxed. But prices of river transport, as a circulation link, have been readjusted only five times in more than 30 years since liberation, an average of one readjustment every 7 years. Compared with the price hikes of industrial and agricultural products, shipping prices have fallen far behind. The situation of river transport in Hubei is typical. Moreover, local boats and ships are often used to carry high-priced fuels, but the fees they can

charge are limited to the "planned prices," and this is really unreasonable. As a result, the economic performance of the shipping enterprises is getting worse year after year. In Hubei, the ratio between the shipping industry's total annual income and total annual cost in the 3 years between 1983 and 1985 is 1.1 to 1, 1.14 to 1, and 1 to 1, respectively. After deducting business taxes and nonbusiness expenses, there is hardly any profit, and many enterprises are in the red. As many as 52 enterprises lost money in 1986, running a deficit of more than 13.7 million yuan. Shipping enterprises are 160 million yuan in debt, one-half of the net value of their fixed assets. Some enterprises are on the brink of bankruptcy. Many reasons have contributed to the difficult position the enterprises are in, but one major reason is that the organization in charge of inland river transport has no authority to set shipping prices, which is the economic lever it needs to regulate the market and invigorate the enterprises. The problem has reached the point where it must be solved without further delay.

Second, different forms of prices should be adopted to suit the characteristics of the shipping industry and enable the enterprises to do business with flexibility. Under present "price regulations," once a price is set, it can hardly be changed. In the past 2 years, some forms of floating prices have been introduced, but they are accompanied by many restrictions. It is impossible for the shipping enterprises to do business according to the law of supply and demand. Therefore, after the power to set prices is placed in the hands of the organization in charge of river transport, it is still necessary to adopt different forms of prices according to market conditions and cost differences. Prices for shipping of materials under state plans should continue to be set by the state. Shipping prices for raw and semifinished materials and fuels outside of state plans can be regulated by the market. Controls on shipping prices can be relaxed for tributaries and lakes. Shipping charges for joint shipping-trade, shipping-marketing, and production-supply-shipping-marketing operations can be determined by the organization in charge of inland river transport.

Third, "price regulations" should be unified and administered by relevant organizations. The present chaotic situation, in which different organizations are involved and each goes its own way, must be put to an end. The Ministry of Communications promulgated its "price regulations" in 1979. However, because the power to set prices was not in the hands of the organizations in charge of shipping, local authorities made their own "price regulations." As a result, the standards and specifications used in river shipping, which could have been unified, were made extremely complicated and confusing. Shippers are puzzled by the way their cargoes are treated. Take the classification of cargoes for example. Coal is regarded as class 1 cargo by the Ministry of Communications, but class 2 by Anhui and Hubei; coke is class 1 by the ministry, class 2 by Jiangsu and Hubei, class 5 by Anhui, and class 3 by Sichuan; and loose ore and rocks are classified in a similarly confusing way. Fees for leased ships are charged at charter rates by the Ministry of Communications, but are computed by hp/day, ton/day, or hp/hr in different places. The dividing line of 300 hp/ton is used for charging different rates in some places, while no such distinction is made in other

places. After entering class "A" navigational zones, some ships increase or reduce charges according to reduction of load and difficulty in navigation, but others compute charges according to their own needs. In order to reduce the burden of their own areas, some pricing departments resort to all kinds of tricks to avoid absorbing the financial losses from rate changes and shift the burden to goods going to other provinces or cities. This mutual shifting of burdens is also a factor causing unfair competition among ships and affecting the basic stability of prices in an entire river system.

Therefore, the reform of the inland river transport system cannot succeed without coordinated and simultaneous reform of the pricing system. Unless the organization in charge of river shipping has the authority to determine shipping charges, it will be difficult to improve the management of the shipping industry, and difficult to achieve macroeconomic control of the shipping market and invigorate the shipping enterprises. Now, the pricing system has brought some serious problems to inland river transportation. For example, there are now too many large ships; ships are leaving the tributaries to join the fleet in the main rivers; short-distance shipping is faced with difficulties; and long-distance shipping capacity has grown faster than the availability of cargoes. These problems are seriously hindering the growth of inland river transportation and should be dealt with seriously.

In view of these circumstances, the writer feels that within the limits of its control authorized by the state's leading price organization, the Ministry of Communications should have the power to readjust inland river shipping prices and exercise control at different levels from entire river systems to provinces and cities. With this kind of a relatively independent inland river shipping price control system, the future is bright for invigorating the shipping industry and developing the inland river economy.

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## REFORM OF THE AGRICULTURAL MARKETING SYSTEM

Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 2, 23 Feb 87 pp 15-19

[Article by Wu Shuo [0702 4311] and Yang Min [2799 2404] of the Economic Research Institute, Ministry of Commerce: "A Model Construct for Reform of the Agricultural Products Circulation System"]

[Text] I. Defects of the Old Agricultural Products Circulation System, and Problems to Be Solved

The agricultural products circulation system that was formed in China after the mid-1950's is an administrative system for top-to-bottom distribution and allocation, and it has the following principal defects: 1) The old agricultural products circulation system was adapted to the needs of a product economy, not to the development of a commodity economy. 2) As the policy applied to agricultural products was one of controlled, assigned purchasing and planned supply, no system of commodity markets for agricultural products was or could have been formed. 3) For the regulation of production and circulation of agricultural products, the state relied primarily or entirely on top-to-bottom administrative plans and commands, and very little on economic and legislative measures, and economic levers could not be smoothly applied. Under these circumstances, enterprises lacked vigor, markets were uncompetitive, and the state's macroeconomic regulations and controls were unable to react positively.

Beginning in 1984, the state made some adjustments in this circulation system and achieved some success, primarily in the following areas: 1) ideologically and theoretically, the old, rigid model of the circulation system was rejected, and the system of controlled, assigned purchase of agricultural products, more than 30 years old, was eliminated, with contractual, fixed-quota purchasing and market purchasing instituted instead; 2) reform of the supply and marketing cooperatives, and restoration of collective ownership by cooperative members; 3) restoration of the traditional form of rural market trade to promote development of commodity production; 4) the various types of planned purchase prices were changed to a single planned purchase price to eliminate incentive-sales of grain as a way of disguising higher prices; 5) various types of commercial and economic components and diversification were allowed to develop together in rural areas; 6) identical grain purchase and

marketing prices were implemented in the villages, with unrestricted supply of farm products and decontrolled or basically decontrolled prices, except for some grain and oil crops still subject to rationing and monopoly marketing prices. Price subsidies for most nonstaples were changed from hidden subsidies to open subsidies. The thrust of these policies is correct, and they have played a positive role in promoting production, stimulating circulation, enlivening the market, and ensuring supplies.

However, the above reforms have encountered some problems in their implementation. In addition to the old, rigid economic system, especially the long-standing ideological fetters of controlled, assigned purchasing and planned supply, which made it very easy to revert to old methods when problems and difficulties were encountered, there are also more trenchant reasons for this. The main ones are: 1) Incomplete reform measures. Circulation reform lacked overall planning and a specific, step-by-step program of implementation, which impacted the success of the reforms and even led to chaos in some cases. 2) When agricultural products subject to centralized, assigned purchasing and planned supply are eliminated, market prices will unavoidably rise sharply, causing a conflict with the ability of low-wage consumers to bear the increases. 3) The compartmentalized financial system conflicts with centralized socialist markets. In the interests of local finance, local governments subject certain farm products to regional embargos, dividing the centralized market into various large and small closed markets. 4) Circulation of agricultural products objectively requires an outward radiation from county seats or market towns serving as hubs; the development of horizontal relationships conflicts with the traditional vertical distribution and allocation of departments dealing in farm products. 5) The poor competitiveness of state-run commercial ventures and supply and marketing cooperatives is not suited to their position in circulation and the role they should play. For many reasons, state-run commercial ventures and supply and marketing cooperatives are at a disadvantage in multichannel circulation and market competition, and it is difficult for them to play a leading role. 6) The conflict between the production and marketing of farm products by individual families and the ever-expanding consumer market in China is becoming more and more apparent. 7) The state's macroeconomic regulation and control measures are not only difficult to apply comprehensively, so that the various responsible departments and regions sometimes make things difficult for each other, but they elicit no positive response from enterprises and markets, leading to production divorced from markets.

Given the above defects and the problems arising during reform, and in keeping with the target model of a planned commodity economy, the focus of reform of the agricultural products circulation system should include three aspects: 1) turning commercial enterprises dealing in farm products into autonomously operating economic entities that take responsibility for profit and loss; 2) creation of a market system for farm products that is competitive and suitable for development of a socialist commodity economy; 3) comprehensive use by the state of a system of macroeconomic regulation and control to regulate the activities of commercial enterprises and markets dealing in farm products.

## II. Target Model of a Future Agricultural Products Circulation System

Future circulation of farm products should have as its target model free circulation under the state's macroeconomic regulation and control and plan guidance, with the state adopting a policy of free purchasing and marketing of agricultural products under state leadership or plan guidance. According to this model, commercial enterprises dealing in farm products should be autonomously operating economic entities taking responsibility for profit and loss. Transfer or conveyance of ownership of farm products is achieved via free exchange. Agricultural production units and commercial enterprises dealing in farm products would generally not be subject to mandatory production plans and circulation plans, but major agricultural products would be subject to guideline production plans and circulation plans. From the producers selling their commodities to the consumers buying them, the various links in the circulation of farm products are conducted according to the law of value, with true commodity exchange taking place. Commodity producers, dealers, and consumers are able to buy on the market those farm products they need or sell their own. Free buying and selling is a prerequisite for developing a commodity economy, but it necessarily leads to speculation and a lack of restraint, and, under socialist conditions, cannot be avoided. The guidance of state plans is therefore required. Planning guidance includes the following: 1) the state applies macroeconomic regulation and control measures to regulate the production and circulation of farm products; 2) through the state trading companies and in accordance with state plans, the state purchases and markets some farm products and processed products; 3) through supply-reserve institutions, or through state trading companies and supply and marketing cooperatives, the state moves these products on the farm products market, in order to regulate the price of those products; 4) price mechanisms are used to regulate supply and demand, thereby adjusting the production, circulation and consumption of farm products.

## III. Principal Aspects of Reform of the Agricultural Products Circulation System

### 1. Market Structure

From the mid-1950's to the early 1980's, China's agricultural products markets were basically state monopoly markets. After the start of the 1980's, the range and proportion of agricultural products subject to controlled, assigned purchasing and planned supply gradually shrank, while free purchasing and marketing gradually expanded, and China's agricultural products markets took on the following characteristics: 1) Market diversification. First, some farm products continuing under the centralized management of the state; second, market-regulated farm products under state plan guidance; third, farm products regulated completely by the market. 2) Market transition. During reform, farm products subject to centralized state management tend to shrink, and now these are limited to only a few industrial raw materials and some traditional Chinese pharmaceuticals. Market-regulated farm products subject to guidance by state plans tend to increase, as do those that are entirely market-regulated. 3) Market complexity. Some farm product producers and dealers look forward to complete competition, and some dealers (primarily state departments dealing in farm products) yearn for centralized state

management, but most producers and dealers favor market regulation under state planning guidance. This is the reason for the complexity and changeability of the present farm products market.

China's future farm products markets, generally speaking, will not be state monopoly markets, nor private monopoly markets, nor free markets; rather, they should be state-regulated markets, i.e., planned commodity markets, with the following structure: 1) Aside from commercial companies specially authorized legislatively by the state to retain exclusivity over a given product or products for a certain period of time, laws should prohibit any producer or dealer from monopolizing the farm product market. 2) Principal farm products having a major impact on state plans and the people's livelihood should be subject to market regulation under the guidance of state plans; these products are few in number but large in quantity. 3) Free competition would be retained for those farm products not having a very great effect on state plans or the people's livelihood, and these would be entirely market-regulated. There are thousands of different products of this type, but their quantity is small. This means that in the structure of a future farm products market guided competition, or competition under state intervention, will hold an important position, which will be supplemented by the assurance of free competition for some products and state monopoly over certain individual farm products. However, under commodity-economy conditions, farm products and commodities must all be regulated by market mechanisms; the difference is that the former are subject to pre-regulation, while the latter are subject to post-regulation. In the case of state-monopoly farm products, the law of value must also be respected.

In the domestic farm products market, farm products under centralized state management and those that are market-regulated under the guidance of state plans must be controlled at the wholesale level and freed up at the retail level; in principle, responsibility for their wholesale and retail operations is borne by state-run and collective businesses, and by the commercial joint-stock companies in which they participate. Other collective, private, and individual businesses may engage in retail operations. Farm products not in the above two categories may be handled at the wholesale and retail levels by any commercial outlet.

In keeping with the structure of the farm products market described above, the price-control system for those products should be as follows: farm products such as tobacco and a few traditional Chinese pharmaceuticals under state monopoly should have a uniform price set by the State Council or by a responsible department designated by the State Council, this price to be implemented by the local government or management department where the products are produced; farm products open to free competition, i.e., those market-regulated products not subject to state plans, would be subject to free prices; market-regulated farm products subject to the guidance of state plans would bear planned guideline prices or reference prices set by the responsible State Council department or by the department in consultation with the appropriate provincial, municipal, or autonomous-region government according to their degree of importance for state plans and the people's livelihood and their characteristics, with these prices being reported to the State Council

for approval or recording. Such a price-control system for farm products would promote a gradual transition to a rational price system for farm products.

## 2. Structure of Transport and Sale Channels

Channels for the transport and sale of farm products are the paths or links through which those products pass to get from where they were produced to where they will be consumed. Farm products use different transport and sale channels and enter different types of markets according to the degree to which different areas have developed a commodity economy, and according to the natural and social attributes and characteristics of production, circulation, and consumption of different farm products.

In terms of overall trends, in future China will have the following transport and sale channels for farm products: 1) From the producer or his cooperative circulation organization to the commercial enterprise (including wholesale and retail) to the consumer. 2) From the producer or his cooperative circulation organization to the wholesale market to the retail store to the consumer. These two channels both involve collecting products from scattered production units in commercial enterprises or wholesale markets, and then dispersing them to the various retail stores for sale to consumers, and this is suited to the characteristics of China's farm products, which are produced by scattered households and consumed by households. 3) From the producer or his cooperative circulation organization to the processing and exporting enterprises. This channel is suitable for areas with a developed commodity economy, farms with a significant scale of production, or areas where, despite small scale, supply and marketing are well integrated; for cash crops used as industrial raw materials or forestry and livestock products, direct transport and marketing would be adopted.

Some of the above farm products pass through organized markets, while others do not. The different forms of product and commodity markets constitute the farm products market system. This farm product and commodity market system includes the various types of exchanges, wholesale markets, and retail markets. These different markets meet the demands of the conveyance of commodity ownership among the various producers, dealers, and consumers, and it also reflects the economic relationships among them. The farm product and commodity market system is the product of a certain degree of development of the farm product commodity economy. In this system, every type of market is formed naturally by exchange relationships, rather than artificially. The formation of a genuine farm products commodity market system must eliminate artificial hindrances and requires a centralized, socialist market.

## 3. Structure of the Ownership System

For a long time to come, businesses dealing in farm products in China will consist of varied economic components and forms. Cooperative businesses will become the main type of rural businesses. This is because: 1) The Chinese Communist Party provides economic leadership and organization to the masses of peasants in carrying out socialist construction, relying primarily on the cooperative system proposed by Lenin. The basis of the Chinese people's democratic dictatorship is the alliance of workers and peasants, which is



realized and consolidated economically primarily through the cooperative system. 2) A planned commodity economy is being implemented, but it is very difficult to guide a billion peasants in commodity production and marketing plans, signing of purchase and sale contracts, and consulting on prices of farm products. Therefore, for some time to come, state regulation of the circulation of farm production will have to involve going through the supply and marketing or processing mode, organizing farm producers into circulation cooperatives of different types and sizes and going through these cooperatives to organize production and markets, so that agricultural commodity producers have an organized, guided entry into the market. Peasants acting as commodity producers will also have to organize institutions representing their own economic interests that will consult with the government and be guided and regulated by state plans. This institution representing the economic interests of farm producers is mainly a peasant-run cooperative circulation organization. 3) Commodity production must meet market demand. Peasants require market information and forecasts, and this informational institution is also the peasant-run cooperative circulation organization. Therefore, the cooperative circulation organization occupies an extremely important position in rural socialist development strategy, both politically and economically, and in terms of the need to develop a planned commodity economy and the direct economic interests of the peasants; no other collective commercial organization or state-run business can replace it.

The supply and marketing cooperative is the product of the rural commodity economy, and is the organizational structure that promotes the development of the rural commodity economy. Proceeding further with reform of China's supply and marketing cooperative system to develop the rural commodity economy requires meeting the peasants' principal demands on the cooperatives: that they promote the sale of farm products and commodities and that they get a good price for them; that they supply industrial goods for everyday use, and that their demands likewise be met in the areas of price, quality, standards, and time. These three things are the basic task of the supply and marketing cooperatives, and they are also the basic starting points and requirements for peasant organization of and participation in these cooperatives. If these requirements are now to be met, we must further reform the system of supply and marketing cooperatives. (For the author's viewpoint regarding further reform of this system, see the November 1985 issue of this journal; it will not be repeated here. -- Ed. note)

The future ownership structure of businesses dealing in agricultural products in China will consist primarily of cooperative businesses in rural areas; in the cities, marketing or processing of farm products will still be handled mostly by state-run businesses, which will remain the most important customers purchasing farm products. However, the present state departments dealing in farm products must be reformed. They must be changed from the vertically segmented management and departmental ownership of the past into truly independent and autonomous economic entities, so that they can develop horizontal integration on this basis. Commercial enterprises under the system of ownership by the whole people that deal in farm products should adopt various forms, such as exclusive ownership, shares, or partnerships, according to the level of development of commodity economics for farm products in different areas and their impact on state plans and the people's livelihood.

Whatever enterprise form they adopt, however, they should all be based on developing the system of ownership by the whole people, and on increasing the income of the whole people. Enterprises adopting the joint-stock system are the products of the commodity economy having grown to a certain point, and they are suitable for both socialist and capitalist countries. In the 37 years since the founding of the People's Republic, China has begun to change from not accepting bureaucrat capital to private-capital socialism, and it has basically completed the historical process of centralizing and integrating capital. But it has not created the private capitalistic monopoly system of the West in the late nineteenth and early twentieth centuries; rather, it has created a socialist system of ownership by the whole people. If we are to test joint-stock companies in future, we must consider these problems: 1) Changing the status of enterprises as administrative appendages, turning them into autonomously operating economic entities taking responsibility for profit and loss. 2) Doing away with horizontal and vertical compartmentalization and creating a centralized socialist market. 3) Providing publicly owned socialist enterprises with a sort of internal mechanism by which they could react quickly to changes in market conditions, interest rates, and exchange rates, which is the only type of enterprise that has any vigor. 4) Making funds more active, making transfers between sectors, enterprises, and regions more rapid and convenient, and promoting the equalization of profit. 5) Collecting idle funds for use in construction. However, the joint-stock system requires an integrated environment and conditions: the parties to that integration must have internal needs and good points before they can be integrated. There must be joint profits and goals before their can be joint action; enterprises must be independent corporations, for if they are still administrative appendages they will not be qualified to work together with other enterprises; there must be legislation ensuring the rights and obligations of joint-stock companies and ensuring the rights of stockholders; there must be a credit system and a stock exchange. Therefore, the joint-stock system cannot be achieved through compulsory administrative mediation, nor should partnerships be called joint-stock companies, and we certainly should not turn around the existing state-run businesses so that they get a few staff and workers to become "stockholders" and turn into fake joint-stock companies.

#### 4. Business Management Structure

We must thoroughly reform the old management system, with its lack of separation between government and enterprise functions, its administrative bodies directly managing farm-product commercial enterprises, and a dozen administrative departments forming their own system to provide duplicative management over farm-product commercial enterprises. The principles and goals of this reform are to make it possible to separate government functions from enterprise functions; government administrative departments responsible for business should provide effective, indirect control over all commercial enterprises. The most basic approach to this reform is to alter the current situation in which government departments hold enterprise functions, and enterprises hold administrative functions, so that the government's business-administration departments become genuine administrative and management structures and enterprises become genuine autonomously operating economic entities taking responsibility for profit and loss. This is the crux of reform of the farm products circulation system.

State-run commercial enterprises dealing in farm products are enterprise under the system of ownership by the whole people; their property does not belong to the enterprise's manager and staff and workers. A property management committee for state-run businesses must be established to manage their property. The property management committee would appoint the firm's board of directors, decide its operating policy and main financial targets, and set a plan for distributing profits after taxes, which would be turned over to the firm's manager for implementation.

Commercial enterprises dealing in farm products, through the various commercial systems and enterprises formed through horizontal relationships, can organize nationwide, regional, or industrywide business associations to guide business ventures, exchange experiences, and coordinate business activity. They can also serve as bridges between enterprise and government. In accordance with commercial legislation and the government's commercial policies, business-administration institutions at all levels would provide uniform administrative leadership and supervision over plans, statistics, accounting, and bookkeeping for business enterprises. But these business-administration institutions would not interfere in the business activities of the commercial enterprises.

In summary, the state's leadership over commercial enterprises will constitute a new commercial management system by means of: 1) commercial-enterprise management departments exercising administrative and management authority; 2) property-management committees exercising ownership over the property of state-run enterprises; 3) administrative coordinating committees and business associations engaging in far-ranging consultation.

Interference by a socialist state in commercial enterprises occurs mainly through the application of economic and legal methods, but these must be supplemented with administrative methods. By operating the economic lever, the state forms a system for regulating and controlling commercial enterprises. By applying these methods, unchecked operations by commercial enterprises are reduced to a minimum, so that the enterprise's microeconomic benefits and society's macroeconomic benefits are coordinated.

13322

CSO: 4006/675

## USING FOREIGN CAPITAL TO DEVELOP AGRICULTURE

Hong Kong CHING-CHI TAO-PAO in Chinese No 18, 11 May 87 p 23

[Article by Jing Xiaolin [2529 4562 2651]: "China Uses Foreign Capital to Accelerate Agricultural Development"]

[Text] China's use of foreign capital to develop agriculture is now becoming an important measure for accelerating agricultural modernization. In recent years China's use of foreign capital in agriculture has developed quickly from none at all. According to statistics, China now has agricultural contacts with more than 80 countries and has signed bilateral agreements on agricultural cooperation with 19 countries; projects involving use of foreign capital run by the Ministry of Agriculture, Animal Husbandry, and Fishery alone number more than 150, and agreements and contracts totaling \$1.16 billion have been signed.

## Opening Multiple Channels for Using Foreign Capital

China's large-scale use of foreign capital in agriculture began in the late 1970's, and it gradually opened up this front through three main channels.

The first channel is the use of World Bank loans, which accounts for a very large percentage of China's use of foreign capital in agriculture. Contracts have been signed on nine projects totalling more than \$700 million; the projects include improvement of saline-alkali soil on the North China Plain, agricultural education and research, wasteland reclamation in Heilongjiang, rubber tree renewal and planting in Guangdong, and propagation and treatment of crop seeds. These projects are proceeding smoothly, and some are basically finished.

The second channel is the use of credits and aid packages, totaling approximately \$300 million, from the United Nations Food and Agriculture Organization, the World Grain Planning Board, and the International Agricultural Development Fund. For example, dairy projects in Beijing, Shanghai, Tianjin, and three other large cities have received material aid in solving the milk shortage; impoverished regions in Gansu, Shaanxi and Ningxia have used aid packages to carry out water conservancy, hydroelectric, grass planting, road building, and other works to improve agricultural production conditions.

The third channel is direct foreign investment. To date, contracts with other countries and registered capital total more than \$14 million; this includes three compensation trade contracts, and two joint venture contracts, the Hebei beef cattle slaughtering and processing plant, which is a joint venture with West Germany, and the Beijing honey processing plant, a joint venture with Hong Kong, which will be going into production.

During the Seventh 5-Year Plan, the use of foreign capital by Chinese agriculture will develop in the direction of diversification, more levels, and more channels; there will be more and more joint ventures, contractual joint ventures, and compensatory leasing.

#### Use of Foreign Capital in Agriculture Beginning to Yield Results

Although 80 percent of the current projects using foreign capital for agriculture are in the construction stage, and design capacity and economic returns have not yet been fully realized, experience over several years amply demonstrates that the use of foreign capital and the introduction of technology are playing a major role in promoting the modernization of Chinese agriculture.

It has made up for the shortage of funds and strengthened agricultural construction capacity. The foreign-capital projects implemented by the Ministry of Agriculture, Animal Husbandry, and Fishery during the Sixth 5-Year Plan, converted to renminbi, correspond to 60 percent of the state's allocations to the ministry for capital construction during the period; this plus the preferential conditions of the funds, their low interest rates, and long payback times, make these projects beneficial in the development of impoverished regions and in construction of certain long-term, low-profit basic projects.

The introduction of advanced technology and equipment has accelerated the technological transformation of agriculture.

In recent years China has imported advanced technologies for paddy field shed raising and mechanical transplanting of seedlings; the mechanical transplanting of seedlings in trays has been tested and popularized in rice-growing regions of Heilongjiang, Liaoning, and Ningxia, carrying China's traditional paddy field cultivation techniques into a new generation and promoting grain production. In addition, technology imports enable China to study and understand advanced international experiments in remote sensing, water and soil repair, citrus cultivation, and rural power, and to fill in some research gaps.

Integrated development projects have yielded good socioeconomic returns.

More than 80 percent of the foreign capital utilized in Chinese agriculture is applied to agricultural development projects. After three years of construction, the 200,000-hectare saline-alkali soil control project in the North China Plain has added 80,000 hectares of irrigated land and brought waterlogging under control on 86,000 hectares of land; forest cover has

increased from 8 percent to around 14 percent. Production conditions in the project areas have been improved and disaster-fighting capacity has been raised. By the end of last year, the main economic targets had been reached ahead of schedule and the requirements in the appraisal report were exceeded.

Good results have been achieved in other development projects as well, such as the Heilongjiang reclaimed grain and pulse base, the animal husbandry development project for the North China grasslands, and the Xicha irrigation project in Gansu.

#### Use of Foreign Capital in Agriculture Will Increase During the Seventh Plan

In order to ensure continued, stable growth in agriculture, China's use of foreign capital in agriculture will be increased. During the Seventh 5-Year Plan, the Ministry of Agriculture, Animal Husbandry, and Fishery plans to allocate about \$200 million annually, an increase of more than 20 percent over the Sixth 5-Year Plan.

It has been reported that the Xinjiang integrated agricultural development project, involving a World Bank loan, will be formally signed soon. The concerned departments are currently talking or preparing to negotiate with foreign businessmen regarding a group of projects for the processing of agricultural and sideline products and development of animal husbandry.

During the Seventh 5-Year Plan, China's use of foreign capital for agriculture will focus on the creation of export commodity bases for agriculture, animal husbandry, and fishing, and the development of commodities capable of generating foreign exchange; the development of animal husbandry and aquaculture; support for development in impoverished regions, soil control, and the transformation of low-yield fields; development of processing of agricultural and sideline products, technological upgrading of township enterprises, and continued reinforcement of agricultural research and education and of technological dissemination.

In the next several years, China will make full use of multilateral channels for utilizing foreign capital in agriculture, enthusiastically opening up bilateral channels. Under the principle of equality and mutual benefit, more direct foreign investment will be taken in. At the end of this year, a large agricultural exhibition will take place in Beijing, which will provide an opportunity for many projects in search of foreign capital to meet up with foreign businessmen for talks.

China has abundant agricultural resources; in recent years, as rural reform has proceeded and the commodity economy has developed, agriculture's capacity to match and absorb foreign capital has greatly increased. In the open coastal regions, the production structure has been readjusted to open broader passages for exports of agricultural, livestock, and fish products and the generation of more foreign exchange, which has increased agriculture's payback capacity. Prospects are becoming even more promising for the use of foreign capital in Chinese agriculture.

13322

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## DRY GRAIN PRODUCTION SHOULD BE GIVEN DUE REGARD

Hangzhou ZHEJIANG RIBAO in Chinese 24 Apr 87 p 2

[Article by Zhao Xiaodao [6392 1420 6670]: "Developing Dry Grain Presents a Way to Boost Zhejiang Agriculture"]

[Text] Dry grain production, which has been in decline since the latter part of the 1960's, is a weak link in grain production in Zhejiang. Some efforts have been made in every locality in recent years to revive it, but the payoffs have been meager. Many factors are at work here. Subjectively speaking, it still boils down to a lack of urgency about promoting dry grain production and the failure to put together a set of coordinated economic and technical measures that covers everybody from top to bottom and that really works. Piecemeal tinkering, now on, now off, has not gotten the province anywhere.

Some comrades look down upon dry grain production because it is "minor." Dry grain has almost become a synonym for food grain other than wheat and rice. Dry grain output last year, including both the summer and fall crops, amounted to just a little over 750 million kilograms, less than 5 percent of the total annual grain output. We can no longer afford to continue ignoring dry grain production. The standing committee of the Provincial People's Congress has put forward the goal of increasing grain output on the average by 500 million kilograms each year so that by 1990 total output would exceed 18.2 billion kilograms. This is a daunting task. Paddy fields in the province are shrinking year after year. Both per unit area yield and the multiple crop index are quite high already and there are at present no breakthroughs that would enable us to increase paddy output substantially, so the potential for increased yields here is much less than that in dry grain. We must take pains to develop and utilize all land. In particular, we must do a good job in dry grain production. There are now 5 million mu of dry land province-wide, about 23 percent of total land devoted to grain cultivation. In addition, there are almost 6 million mu of low hills and gentle slopes, some of which can be transformed into dry grain fields. Given our ample potential resources in dry grain production, we can increase grain output by 500 million kilograms, one-third of it dry grain, just by expanding the acreage under dry grain by 1 million mu (through inter-planting in young forests and the "three kinds of land for growing plants," for instance) and by increasing per unit area yield 20 percent, which are modest demands. As a matter of fact, both our seeded area and total yield in 1977 exceeded these levels.



Other comrades scorn dry grain because it is "coarse" and unpresentable. In Zhejiang, dry grain is dominated by sweet potato, soybean, and corn, all coarse food grains. But they are nice and indispensable. According to projections, Zhejiang will need 800 to 900 million kilograms of fodder corn annually during the Seventh 5-Year Plan. Yet we produce less than 150 million kilograms. As for buying fodder corn from outside, that presents economic and transportation problems. Consequently, rice is used as pig feed in many areas, which is highly uneconomical as 2 jin of paddy yields less than 1 jin of corn. We must also import soybean from other provinces to the tune of over 100 million kilograms a year. Zhejiang produces several beans that are very popular on the international marketplace, but because of insufficient sources of supplies, only a very small amount is exported. Clearly, as fodder and industrial crops, coarse grain plays a role that fine grain cannot replace. What this province needs more of is not so much grain in general as fodder and industrial grain specifically. Moreover, among Zhejiang's dry grains are several special products such as millet, mung bean, white flat bean, and sesame seed, which are highly valued by people at home and abroad. The prospects for development here are fairly bright.

There are also comrades who slight dry grain because it is "low"--in per unit area yield and economic results. During the Sixth 5-Year Plan, the summer and fall dry grain crop averaged a very low yield 259 kilograms per mu. But this also points up the potential for raising the per unit area yield of dry grain. Materials presented at the recent provincial dry grain production conference show that corn yield is as high as 500 kilograms per mu in some areas and that potato yield per mu has broken the 1,000 kilograms barrier and is even higher in high-yield plots. With processing and comprehensive utilization, the value of dry grain can double. For example, the development of such industries as alcohol and monosodium glutamate has significantly boosted the demand for sweet potato starch. In the past 2 years, the Federal Republic of Germany has been importing shredded sweet potato from Zhejiang and wants to buy more from the province than it can supply it. Thus dry grain production presents peasants in the mountains and mid-level areas with a passport to wealth.

Dry grain production in general is highly adaptable. It is easy to break into, requires little capital, and has high payoffs.

What then are the objective difficulties the province faces in developing dry grain production? I think these are the major problems. Poor transportation in many localities and the fact that cultivated areas are scattered and fragmented combine to militate against its becoming a substantial commodity. Production conditions are unfavorable: dry-grain land suffers from serious soil erosion, with a thin topsoil stripped of both water and fertility. Production technology is obsolete. In many places, the varieties of dry grains and cultivation methods have not changed for decades. On the whole the good-variety cover rate is very low, lagging badly behind their wheat and paddy counterparts. The number of scientific and technical personnel engaged in dry-grain research and dissemination is also pitifully small. Therefore, if the potential of developing dry grain production is immense, so are the difficulties.

Accordingly our first priority is to increase inputs and improve the basic conditions of dry grain production. The masses must be enlisted to take up basic farmland development, put up small water conservancy projects, build terraced fields in a planned way in the interest of fertility, soil, and water preservation. Vigorous efforts should be made to develop green manure in dry land to increase soil fertility. Of the province's dry land, about 15 million mu, or 30 percent, are low-yield land. If they are transformed into stable high-yield land, there will be handsome gains in grain output.

Dry grain development in Zhejiang has a promising future, provided leading agencies at all levels of government put it on their agendas in earnest, formulate sound economic policies, increase the extent to which dry grain production is organized, and launch comprehensive utilization assiduously. This is true for paddy fields on hills and mountains as well as those on the plains. To a certain extent the day dry grain production takes off in Zhejiang is also the time when grain production enters a new era.

12581

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## FUJIAN TREE FARMS

Beijing ZHONGGUO LINYE [FORESTRY OF CHINA] in Chinese No 4, 17 Apr 87 p 28

[Article by Ya Fu [0068 1133]: "Fujian's State Farms Show Good Growth Trends in Forestry Resources"]

[Text] Since they were established in the 1950's, Fujian's 111 state-run tree farms have strengthened overall resource management by defining an operating principle of "small scale, fixed, and comprehensive" and a production policy of "forestry as the basis, combining logging and planting, equal attention to afforestation and management, permanent forests for continued use." They have done much reforestation, appropriately adjusting lumber yields, and there is a good growth trend in forest resources. Within the management areas, there has been a slight increase in the afforested area and a reduction in areas with sparse or no forest. The increase in timber-forest stock is now greater than consumption of all types of forestry resources, presenting the gratifying prospect of permanent forests becoming more and more productive.

Fujian's state-run tree farms have a total management area of 5,977,000 mu and an afforested area of 4,426,000 mu, of which 3,923,000 mu is timber forest. Forest stock totals 34.03 million cu m, with an annual average growth rate of 15 percent. Total annual consumption of forestry resources is 1.84 million cu m, with growth exceeding consumption by 922,000 cu m. In the timber forests, areas and stocks of middle-aged and nearly mature forest and superior China fir are increasing steadily.

The main reasons for this good momentum are as follows:

1. During the Sixth 5-Year Plan, state farm production plans were suitably adjusted, reducing final cutting. In order to allow forest-industry enterprises in older forest areas to recuperate, the state farms reduced log production during the Sixth 5-Year Plan, putting it at 706,000 cu m annually, a 16.8 percent drop from the Fifth Plan; consumption of final-cutting stocks was correspondingly reduced by 119,000 cu m, which not only extended the cutting time of some farms but also eased conflicts between harvesting and planting.

2. Investment in afforestation increased, and the relationship between harvesting and planting was fairly well coordinated. In recent years, with

the implementation of forestry policy and a basic makeover of enterprise footing, coupled with the growth of comprehensive utilization and reform of afforestation funds management, investment by state farms in reforestation increased correspondingly, and the scale of reforestation continues to expand. From 1981 to 1984 annual investment by state farms in forestry averaged 9,386,000 yuan, a 39.5 percent increase over the annual average of 6,726,000 yuan during the Fifth Plan; during the same period, 637,000 mu were reforested, an average of 127,000 mu, representing an 11.7 percent increase over the annual average of 114,000 mu during the Fifth Plan. In addition, management and conservation measures were increased, and a new situation arose, with "three highs": high survival rate (91.3 percent), high regeneration rate (98.9 percent), and high conservation rate (95.5 percent). This not only assured rapid regeneration of slashes but also allowed sparsely forested and barren lands to be transformed and afforested, achieving a basic balance between cutting and planting.

3. Tremendous productive forces have been built up in artificial reserve forest resources. Because of unstinting artificial reforestation work over many years, reserve forest resources are not only beginning to be available, but they are entering a period of vigorous production. To date, 1,644,000 mu of artificial timber forest have been planted, accounting for 41.9 percent of all timber forest; of young, middle-age, and nearly mature forest, the area of artificial forest accounts for 75.3 percent, 55 percent, and 57.6 percent, respectively, and 66.1 percent, 54.1 percent, and 62.3 percent of total stock. In 1985 net artificial forest reserves reached 1,392,000 cu m, with a 15 percent rate of increase; this alone accounted for 77.5 percent of cutting.

4. Forest protection and conservation have been improved, reducing losses from manmade and natural disasters. According to 1985 statistics, 264 mu were lost to forest fires, 199 mu to natural disasters, 490 mu to disease and insects, for a total of 953 mu, amounting to only two ten-thousandths of the total forest area; 9,680 cu m of forest stock was lost, accounting for 2.8 ten-thousandths of the total.

A survey of resource consumption and growth shows that there are problems in forest management, primarily overcutting on some farms. According to 1985 statistics, cutting and utilization on 16 of the province's 111 farms exceeded their timber-forest stocks. In addition, failure to resolve the question of forest rights in some areas impacted natural regeneration and artificial reforestation.

13322

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## EXPANDING SCIENTIFIC, TECHNICAL CORPS IN AGRICULTURE IN LIAONING

Beijing NONGMIN RIBAO in Chinese 18 May 87 p 2

[Article by Hou Wanru [0186 8001 0320]: "A Strengthened Scientific and Technical Corps Vital to Rural Economic Growth"]

[Text] As the restructuring of the rural economic system moves from breakthroughs to detailed work, extraordinary growth in agriculture has reached a turning point. From now on we must depend on scientific and technical progress to ensure steady agricultural development.

Many issues must be addressed if we are to speed up agricultural science and technology. But the crux of the matter is still the expansion of the ranks of scientific and technical [S&T] workers in agriculture.

The most striking problems of the rural scientific and technical corps are a shortage of personnel, low professional standards, and an irrational structure.

According to the 1986 qualified personnel census in Liaoning Province and the survey on rural science and technology, there is a total of 54,561 scientific and technical workers in agriculture, animal husbandry, fishery, township and town enterprises, forestry, water conservancy, and power generation, of whom only 11,346, or 20.8 percent, work in counties, townships, towns, and villages. Based on the rural population in the province in 1985, there were 5.19 scientific and technical workers for every 10,000 people.

In worse shape are township and town enterprises, where scientific and technical personnel total 3,262, or less than 1 for each enterprise. Of the scientific personnel in such enterprises, moreover, a substantial number work in the departments in charge at the provincial, municipal, and county levels. Thus people who actually work in township and town enterprises are few and far between.

Not only is the rural scientific and technical corps understaffed, but its professional caliber is also poor and its structure irrational. Studies show that only 11.3 and 22.3 percent of the corps hold mid-level and junior titles, respectively, while 66.4 percent have no titles at all. A considerable percentage of the corps do not meet the requirements of modern scientific and technical development. Oftentimes the wrong technical instructions are given

because of ignorance of modern technology. An agro-technical station has imported "erbikong" corn cultivation technology, where 3,500-3,700 plants should be retained per mu. But the wrong instructions were given and only 2,400 plants were kept. The upshot was a man-made drop in output on 70,000 mu of corn. Workers at another agro-technical station did not understand the properties of herbicides very well and, in their ignorance, instructed that "a te la jin" be used to kill dry rice weeds, damaging 33 mu of dry rice and making the crop unharvestable. Since they are short of technical personnel, township and town enterprises cannot keep up with technology. Their products are inconsistent in quality and they have difficulty improving their economic results.

Effective measures must be taken to expand the scientific and technical corps rapidly and accelerate technical progress.

1. Resolve the problem of technical titles as soon as possible. According to a survey on 519 rural S&T workers, 50.4 percent of them are presently most concerned about "title evaluation." Some S&T personnel so far have failed to obtain appropriate technical titles and cannot settle down to productive work, which directly affects the stability and development of the rural S&T corps. Thus localities which have not yet begun this task should tackle it aggressively right away to enable qualified peasants and technical personnel at township and town enterprises to obtain the titles due them and mobilize their initiative.

2. Create conditions for rural S&T personnel and pay due regard to their achievements. It is proposed that a sum be allocated from the agricultural support fund to pay for equipment and apparatus purchased by scientific research and dissemination units in rural areas. The research achievements of rural S&T personnel should be treated in the same way as those by experts and well-known individuals and accorded equal attention.

3. Raise the wages of S&T personnel in rural areas appropriately so that they earn slightly more than their urban counterparts at the same levels.

4. Firmly adhere to the policy of assigning polytechnic and technical secondary school graduates to rural areas. We should make sure that each year a large number of such graduates are sent to work in the countryside to continuously replenish and renew the rural S&T ranks.

5. Support and encourage S&T personnel to go to rural areas to contract to run or lease a township or town enterprise or to set up a one-person scientific research institute or service station, thereby earning a legitimate income even as they create wealth for the countryside.

In short, we must act to make the existing S&T personnel settle down and work in the countryside. We must also persuade fresh polytechnic and technical secondary school graduates to go there to enlarge the rural S&T corps to ensure steady and sustained rural economic growth.

12581

CSO: 4006/717

## YUNNAN STRENGTHENS RURAL S&amp;T WORK

Kunming YUNNAN RIBAO in Chinese 2 May 87 p 2

[Article by Ji Yufeng [0370 5148 6265]: "Some Proposals for Strengthening Rural S&T Work"]

[Text] This year the provincial party committee and people's government set rural economic goals calling for restoring grain production to 1984 levels and flue-cured tobacco production to 1985 levels, an increase of more than 30 yuan in peasants' per capita net income, and ensuring basic living standards for more than one million people in impoverished areas. One of the keys to achieving these goals is reliance on scientific and technological progress and general improvements in peasant S&T levels. Following is a discussion of several views on Yunnan's S&T work.

1. Firmly establish the strategic ideology of reliance on S&T to vitalize the rural economy. Yunnan's backward agriculture is primarily a matter of backward agricultural S&T and an extremely fragile technological foundation for agriculture. Production techniques are basically stuck at traditional levels, sometimes even at extensive cultivation; technological transformation and dissemination of advances in agricultural technology are relatively slow; The S&T levels of the masses of peasants are universally low, and agricultural S&T is still the weak link in the rural economy. Technological backwardness has become a factor restricting improvements in Yunnan's agricultural economy and productive forces. Therefore, we must recognize the importance and urgency of S&T work from the viewpoint of relying on S&T to vitalize the rural economy, placing agricultural S&T in a strategic position for agricultural development, integrating the superb tradition of intensive cultivation with modern S&T, combining socioeconomic benefits with ecological benefits, and shifting traditional agriculture based on economics over to modern agriculture based on S&T.

2. Popularize agricultural S&T by running model agricultural technology districts and by formulating and implementing technological "spark plans." In recent years, and especially last year, several areas were turned into comprehensive experimental and model districts for agricultural technology, primarily in grain and tobacco. These brought together a team of cadres, technical personnel, and the masses, for comprehensive experiments in planting, cultivation, and crop protection, covering management, technology,

and supplies. Clear results were achieved. The full functions of these technologies should now be exploited to popularize the "two hybrids," the "two mulches," standardized cultivation, scientific fertilizer application, red soil improvement, comprehensive prevention and treatment of diseases, insects, weeds and rodents, and water-saving irrigation, in order to achieve balanced, increased yields over a broad area and greatly raise unit yields of cereal crops and the quality of economic work. "Spark plans" should be formulated and implemented at all levels, using advanced, appropriate technology to equip township enterprises and the planting and breeding industries, carrying that spark of technology out into the villages and impoverished regions to let it spread far and wide.

3. Reinforce the system of S&T extension services and the creation of a system for propagating superior varieties, crop protection, and epidemic prevention. To adapt to the present type of rural production, we urgently need to create a system of agricultural S&T extension services guided by the province and districts, with the counties as hubs, the prefectures as backbone, townships as foundation, and S&T households as bridges. The agricultural S&T extension institutions at the provincial and district level should establish multifunctional structures with a solid technical force for carrying out experiments and models that is capable of providing technical leadership, demonstrations, and training. The counties should establish agricultural S&T extension training centers to centralize the existing, disparate technical facilities and forces, such as farm technology, seed, fertilizer, crop protection and cash crop stations and bureaus, and should develop them into comprehensive extension facilities for agriculture, animal husbandry, and fishery. The various S&T extension facilities, S&T households, and integrated S&T service entities should be supported in providing complete technical and material services and launching socialized, systematized services. With their purpose being to disseminate and serve, they will provide such material supplies as superior varieties, seedlings, plastic mulch, fertilizers, and new types of farm machinery; they will "write prescriptions" and provide the "medicine."

4. Vigorously develop rural technical education. The educational and technical levels of Yunnan's peasants are relatively low everywhere; illiteracy among adult peasants is over 50 percent, higher in the mountains. There are only four technical personnel for every 10,000 mu of cultivated land in the province, and only 5.6 technical personnel for every 10,000 in the agricultural population. Raising the educational quality of the peasants should focus on education in four stages: 1) Continue to consolidate universal elementary education; in impoverished regions, rely on state support and thrifty operation of schools to run elementary schools and ethnic-minority classes on the board and half-board systems; raise the matriculation rate and qualifying rate for school-age children, and offer peasant literacy classes to greatly lower the illiteracy rate among young people. 2) Starting from the need to develop a rural commodity economy, readjust the structure of elementary and secondary vocational education, including adding new vocational middle schools and classes, adjusting the curriculum, and reforming recruitment policies and the school system. 3) Take full advantage of the roles of agricultural institutes, correspondence courses, audiovisual education and other facilities and methods; use focused recruitment, student



teachers, and self-study to train large numbers of senior and mid-level technical and managerial personnel for the villages. 4) Organize mass agricultural and technological groups to start from reality, practice, and results to provide multilevel, multichannel, and varied training in agricultural production techniques and other practical techniques for grassroots rural cadres, returning senior and junior middle school students, discharged military personnel, specialized households, and S&T households; give a majority of the peasants a mastery of one or two techniques for enriching themselves through long- and short-term training.

5. Invigorate and expand the rural S&T management system and S&T personnel policies. First, we must support research units and departments, specialized institutions of higher learning, and large and medium enterprises in launching various types of horizontal technical relations with the villages, without impacting the assignments sent down by the state; various integrated research and production bodies must be established for joint development of resources and implementation of "spark plans," to share the benefits and risks. Research and S&T departments must be operated separately from party and governmental departments in providing rural technical services and running integrated research and production bodies; these bodies must be protected and encouraged through reform. Second, units with a concentration of technical personnel may select some technical or support personnel to go to the comprehensive demonstration districts, township enterprises, and impoverished regions, either on assignment or on leave without pay, to provide various technical services, contracting, management for township enterprises, and other development projects.

13322

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## CHANGING VIEWS ON CHINESE TRADITIONAL MORAL CODES

Shanghai SHEHUI [SOCIETY] in Chinese No 1, 10 Jan 87 pp 12-13

[Article by Huang Weihe [7806 0251 4138], Sheng Zongfan [4141 1350 5400], and Wang Chuangui [3769 0278 6311]: "How Chinese Traditional Morality Is Viewed by Contemporaries"]

[Excerpts] People in literary and art circles and theoretical circles are now reexamining and reconstructing China's national traditional culture and particularly its traditional morality. It should be pointed out that certain biases have emerged amid this upsurge. Some of these people are satisfied with a meticulous evaluation of the merits and shortcomings of some moral codes and then express their educated views on state policies. They pay little or no attention to such important questions as: What is the relationship between the traditional and the current culture and morality? How has traditional culture and morality affected current culture and morality? How have current culture and morality developed from traditional culture and morality and made their breakthrough? and so forth. If these questions are ignored, the general plans for ruling the country, though impressive in appearance, would be unrealistic and devoid of substance.

We have, therefore, conducted a fairly extensive survey (Footnote 1) (The "Survey of Shanghai People's Concept of Morality," is part of the Research Project in Shanghai Municipal Cultural Strategy) of morality in the form of a questionnaire, in which we particularly included an item entitled "Contemporary Views on Chinese National Morality." We have thus obtained a great deal of numerical data which have enabled us to find out the society's psychology in this respect. The purpose of this article is to present a sketchy picture and evaluation of the social attitude toward traditional morality through an analysis of these data.

Question: In your opinion, which of the following Chinese traditional moral codes are acceptable, should be discarded, or should be analytically studied:

Item	Choice	No of persons	Percentage
Kindly father, Dutiful son	Acceptable	2,883	65.97
	Should be discarded	281	6.43
	Should be analytically studied	899	20.57
Diligence, Frugality	Acceptable	3,379	77.32
	Should be analytically studied	652	14.92
Self-Denial, Serving public Interest	Acceptable	2,882	65.95
	Should be discarded	274	6.27
	Should be analytically studied	887	20.30
Stressing Righteousness, Belittling Interest	Acceptable	1,211	27.71
	Should be discarded	1,277	29.22
	Should be analytically studied	1,479	33.84
Obedience to Superiors	Acceptable	1,272	29.11
	Should be discarded	712	16.29
	Should be analytically studied	2,053	46.98

From this table, we will be able to understand the following points of view:

First, many traditional moral codes still have their moral value among the contemporaries. For example, "Kindly father, dutiful son" is acceptable to 65.97 percent of the people surveyed, while those who think that it should be either discarded or analytically studied amount to only 27 percent. "Diligence and frugality" are acceptable to 77.32 percent, while those who think that it should be either discarded or analytically studied amount to 18.3 percent. "Self-denial in serving public interest" is acceptable to 65.95 percent, while those who think it should be discarded or analytically studied amount to only 26.57 percent. On the whole, the majority of the people surveyed believe that the traditional moral codes of "kindly father, dutiful son," "diligence and frugality," and "self-denial in serving public interest" are acceptable even today.

The concurrence of contemporary views on traditional moral codes to a certain extent, as shown by the data, is not coincidental, but quite universally consistent. Theoretically analyzed, it is a natural outcome and far from any absurdity. The first reason is that the basic changes in social systems have not completely changed or abolished the social and moral relationships of the past. Thus an objective foundation is laid for the continued existence of traditional morality in history. For example, family relationships of the

past are essentially the same today, because family members are still linked by blood relationships. Families are still the basic units of consumption, and that is why between the parents and the sons, there are the social obligations of providing education and support. Therefore, the moral code "kindly father, dutiful son," which reflects this relationship, is still accepted today. Some elements of the ancient family moral code, such as filial piety, cannot be accepted wholesale nowadays, however.

Second, moral principles and standards usually embody a unity of concrete substance and universal form. As for concrete substance, these principles and standards inevitably contain certain characteristics of the age including class elements. In their universal form, however, they also reflect people's awareness of their moral obligations and are to a certain degree identical. Thus, even though their concrete substance may be spurned by people because of changing times, their universal form still retains some value and deserves to be learned and inherited by people later on. Therefore, it is not hard to understand why some traditional moral codes, such as "self-denial in serving public interest" is still accepted by people today. When individual and collective interests are reconciled in essence but in conflict under certain specific circumstances or in some special environment, we should sacrifice individual interest for collective interest. This is still the truth in a general sense, and can be used as a guideline in the correct handling of the relationship between individuals and collectives. That is why people still believe in and accept it.

Third, some traditional moral codes, such as "stressing righteousness, belittling interest" and "obedience to superiors" have lost their former sacred value. They have gradually become unacceptable, or turned out to be targets of repudiation. From the table, we can see that "stressing righteousness, belittling interest" is accepted by only 27.71 percent, and rejected by 29.22 percent of the people. In other words, the negative votes outnumber the positive ones. Again, "obedience to superiors" is accepted by 29.11 percent and rejected by 16.29, while those thinking that it "should be studied analytically" account for 46.98 percent, far outnumbering those who accept it.

As everyone knows, moral concepts are somehow the outcome and reflection of certain social and historical conditions. They change along with the change in these conditions. The moral codes of "stressing righteousness, belittling personal gain" and "obedience to superiors" have changed from something like immutable truths to something to be discarded or doubted. The ultimate cause has to be found from the change in the objective social and historical conditions. Since the 3d Plenum of the 11th CPC Central Committee, in accordance with the objective laws, the CPC Central Committee has set the task of building a modern socialist country with a strong economy, and, for this purpose, resolutely called for reforming the traditional economic structure and promoting socialist commodity production. The various changes in social and historical conditions have prompted people to change from "belittling personal gain" to "stressing personal gain," while proletarian revolutionary utilitarianism has swept away the old morality of "speaking only of righteousness, but not personal gain." Of course, stressing interest does not necessarily call for belittling righteousness. What we want and hope for is a unity of righteousness and interest on the basis of the interest of the broad masses.

## NEW CHARACTERISTICS OF JUVENILE DELINQUENCY IN GUIZHOU

Chongqing FAXUE JIKAN [JURISPRUDENCE QUARTERLY] in Chinese No 1, 10 Feb 87  
pp 84-87

[Article by Zhong Renwei [6988 0088 0251] of Guizhou People's Provincial Procuratorate: "The Trend of Juvenile Delinquency and the Remedial Measures"]

[Excerpt] At present, juvenile delinquency in our province tends to develop in the following way:

1. Drastic Increase in Number of Offenders: In the past several years, the cases of juvenile delinquency have tended to increase, and the proportion of juvenile delinquents in the total number of offenders has continued to rise--up to 75.5 percent in the first 4 months of last year. The rise in this proportion in the province from 1980 to 1986 is shown as follows: 28 percent in 1980; 43 percent in 1981; 37 percent in 1982; 25 percent in 1983; 61 percent in 1984; 72 percent in 1985; and 75.5 percent in the first 4 months of 1986. From this, we can clearly see a rise from 28 percent in 1980 to 75.5 percent in the first 4 months of 1986. Such a rise is appalling. It reflects the serious problem of juvenile delinquency in our province.

2. Offenses of a Vicious Nature: One special characteristic of juvenile delinquency is its diversified categories, mostly of a vicious nature, such as violence, rape, and economic crimes. Actually, among the cases of juvenile delinquency, homicide, bodily injury, rape, molesting small girls, hooliganism, robbery, theft, and other offenses of a vicious nature account for a high proportion of the total number of arrests, and this proportion is continuing to rise. Since 1980, the offenses committed by teenagers has generally amounted to 50, sometimes 60, 70, and even more than 90 percent of all the offenses under these categories. The increase in such crimes is shown as follows: the proportion of homicides committed by teenagers, whose arrests had been authorized, increased from 42.82 percent in 1980 to 48.43 percent in the first 4 months of 1986 (this comparison was between the first 4 months of 1980 and the same months of 1986); injuries, from 47.14 percent to 52.98 percent; rapes, from 49.6 percent to 50.75 percent; molestations of small girls, from 54.55 percent to 64.29 percent; hooliganism, from 70.21 percent to 77.59 percent; robbery, from 79.91 percent to 92.45 percent; and theft, from 49.07 to 69.16 percent.

3. Offenders of Lower Age Groups: An outstanding feature of juvenile delinquency in the past 2 or 3 years is the increase in the number and proportion of young offenders. In other words, the average age of juvenile delinquents tends to be lower. In 1984, the number of young people under 18 arrested in the province was xxxx. It was increased to xxxx, an increase of 122, in 1985. The number was larger in the first 4 months of 1986 than in the same period last year. The ratio of offenders arrested under 18 to the total number of juvenile delinquents arrested and to the number of arrests for all crimes also tend to rise. In 1984, the number of young offenders below 18 accounted for 16.04 percent of the total number of teenage offenders. The ratio rose to 22.76 percent in 1985, and further to 26.48 percent in the first 4 months of last year. In 1984, the ratio of young offenders arrested accounted for 6.26 percent of all arrests on criminal charges. It rose to 10.79 percent in 1985 and then to 12.81 percent in the first 9 months of last year. It is noteworthy that even children below 14 engaged in criminal activities. For example, the gang of burglars headed by Nie Qingxu [5119 1987 2485] and Li Shoukang [2621 1108 1660], and apprehended by the police of Chengguan Town in Weining County, consisted of 15 members, the oldest being 16 and the youngest being only 12. In less than 6 months since its formation in June 1985, this gang had committed scores of robberies. They robbed whatever they could see, leaving no peace for the whole city. Social peace and order was seriously disturbed.

4. Crimes as Group Activities: A fairly salient feature of the crimes of teenagers is their group activities. Since the campaign to deal severe blows at serious criminal activities began in August 1983, many localities have joined the campaign and these criminal gangs were fairly thoroughly eradicated. Since last winter, however, these gangs have resurfaced and developed rapidly. The gangs of burglars and hooligans in particular are not only numerous but also defiant and dangerous. This trend in juvenile delinquency is a direct threat to social order and stability. Let me cite two examples. In the townships of Toupu, Xiaguang, Zhengjiatun, and Qiyanqiao along the communications lines of Anshun County, there are 8 criminal gangs, and 64 gangsters have been arrested as authorized, accounting for 52.4 percent of the total number of arrests for theft. Among these 8 gangs, the membership was 3 to 5 for the smaller ones and as many as 20 to 30 for the larger ones. All these gangs were formed last year, and most of their members are teenagers. Five of these eight gangs specialize in the destruction of electric power and communications equipment, and the remaining three specialize in stealing public property. The damage from these eight gangs to society was considerable. In Chengguan Town, Zhenning County, a gang of hoodlums headed by Zhang Youyi [1728 0645 6146] has five members, all under 17. This gang committed six crimes within 2 hours from 10 pm to 12 midnight on 24 June this year. They ravaged the area along the Quancheng He of the county seat--wounding 17 pedestrians, molesting 2 women, and seriously disturbing peace and social order. According to reports from the procuratorate in various localities, gangsterism is still rampant and calls for great vigilance.

5. Crimes Committed with Adult Methods: Although the average age of juvenile delinquents tends to be younger and younger, the methods they use tend to be more and more mature. This is shown mainly by the increase in premeditated crimes with a corresponding decrease in crimes of an unpremeditated nature; the increase in crimes committed by groups, with a corresponding decrease in crimes committed by individuals; and the increase in serious crimes, with a corresponding decrease in ordinary crimes. Furthermore, the methods used have become more diversified and sophisticated. Some crimes were committed with the use of modern equipment which leaves no clue, and increases the difficulty of subsequent detective work. In the current cases of theft, aside from the use of crowbars and hammers for breaking in as we usually see, some burglars are using x-ray film to open locks without leaving any visible trace. Some criminals have even used such modern means as deluxe limousines. The means of transportation used by many of our public security organs are so obsolete that they could only helplessly watch the criminals getting away. Besides making subsequent detective work more difficult, the mature methods used by juvenile have gravely endangered the society. For example, among the 33 serious cases persecuted by the Guiyang Municipal Procuratorate last year, 9 were cases of homicide involving the death of 12 and the injury of 11 persons; 14 were cases of infliction of injury causing the death of 14 and the injury of 3 persons; 6 were cases of robbery causing the death of 3 and the injury of 8 persons; and 4 were cases of rape causing severe physical and mental wounds to 4 women. Teenagers committed 85.2 percent of these 33 cases.

In addition to these five characteristics, there has also been a change in the types of criminals. The number of female teenagers, secondary school students, teenagers who have already served their sentences, and those who have been reformed and educated through labor, has sharply increased. In Tongren Prefecture, for example, from 1983 to 1985, 971 teenagers--including 243 nonagricultural urban residents and 728 rural residents--had been reformed and educated through labor, and 88--9 percent--of them have committed crimes again.

9411

CSO: 4005/504

# OPPOSITION'S STAND ON BEIJING'S OVERTURES

Taipei TZULI WANPAO in Chinese 19 Feb 87 p 2

[By Japan correspondent Chen Shih-chang [7115 0013 2490]: "The Democratic Progressive Party Declares its Stand Toward the CPC"]

[Text] Rumor had it that during the visit of the Democratic Progressive Party [DPP] to the United States, the PRC's "ambassador to the United States" had let it be known through certain connections that he would like to meet the DPP people. Kang Ning-hsiang [1660 1337 4382], a member of the DPP faction in the Legislative Yuan, confirmed that this had indeed been the case. Kang also stated that he flatly refused the Chinese Communist request for a meeting.

The fact that the DPP raised the question of the "three communication links" [postal, trade, and air and shipping services] at their press conference in Japan has aroused the greatest interest in the DPP by the Chinese Communists, but the DPP is currently still adopting a very cautious attitude.

When Kang Ning-hsiang attended yesterday's symposium of the Tokyo University in Japan, he expressed some of his own and the DPP's views on the friendly overtures of the Chinese Communists toward the DPP.

He pointed out that the CPC has consistently recognized no other party or organization but the Kuomintang [KMT] as a qualified discussion partner, and has maintained that Taiwan affairs can only be settled in negotiations with the KMT. This is actually a huge mistake.

He said that the CPC began only as late as 1979, after the FORMOSA incident at Kaohsiung [riots instigated by the FORMOSA magazine, 10 December 1979], to pay attention to the development of the nonparty movement, but that it remained at that time at the stage of "paying attention and observation." To obtain more material on the Taiwan nonparty movement, the CPC established a Taiwan Research Institute at the Hsiamen University on the other side of the Taiwan Strait and started to gather periodicals and other publications of the Taiwan nonparty group through a variety of channels.

The Chinese Communists' move from the stage of "attention and observation" to the stage of "actual utilization" came about only after the establishment of the DPP. The CPC had been extremely eager to establish contacts with the DPP,



and even to get to a series of continuous "dialogs." In Kang Ning-hsiang's opinion this is a means to create divisiveness, but not a step toward settlement of the issue.

Kang Ning-hsiang mentioned two examples to illustrate the Chinese Communists' show of friendliness toward the DPP. One example is that during the DPP's visit to the United States at an evening party given in Washington on 9 February by a friend from the same native place, the PRC's "ambassador to the United States" expressed through an acquaintance the wish to meet the functionaries of the DPP, which immediately drew a flat refusal by Kang Ning-hsiang.

The other example occurred after the establishment of the DPP. When high-ranking CPC cadres, Deng Xiaoping, Peng Zhen, and Hu Yaobang, followed one another in issuing "messages to the people of Taiwan," they addressed these to the KMT and "patriotic compatriots." The definition of "patriotic compatriots" is ambiguous, especially since the CPC recently precipitately raised the Taiwan nonparty elements on the mainland, Chen Guying [7115 7849 2019], Chang Chunnan [1728 2504 3948], and Huang Xunxing [7806 7311 5281] to membership in the Standing Committee of the NPC. This gives one all the more the feeling that the CPC is out to create divisiveness, that their so-called "patriotic compatriots" refers to those followers of the Communist Party, and that it will be they whom the CPC will recognize as their discussion partners. In Kang Ning-hsiang's opinion this is a huge mistake by the CPC, and that is why he refused the request for the meeting which the Chinese Communists had suggested.

The DPP's press conference in Japan was also attended by five or six Chinese Communist reporters, manifesting the voice of the mainland: What is the policy of the DPP toward the mainland, now and in the medium-distant future? Having heard that the DPP approves of the "three communication links," how are they to be realized, through a method of negotiations?

On these questions all, even the Japanese, showed interest; all wanted to know the DPP's policy toward the mainland. The spokesman for the DPP delegation on their visit overseas, Hsieh Chang-ting [6200 7022 1694], stated that the DPP proposes the parties on both sides of the Taiwan Strait should at the present stage compete in a position of equality and reasonableness. The mainland should all the more declare of its own accord that it will not use armed force to settle the issue of the two sides of the Taiwan Strait. This would relax the anxiety of the people of Taiwan and could possibly ease the hostile feelings of the Taiwan people toward the mainland.

The two governments, one on the mainland and one on Taiwan, should each exert themselves in working for democratization. It is the opinion of the DPP that the mainland must not go the way of suppressing the democratic movement and obstructing democratization.

As to the issue of the "three communication links," this has at this stage not yet become an item on the DPP party program. However the DPP believes that the will of the inhabitants should be respected. If a resident of Taiwan

wants to return to the mainland to visit his relatives this wish should be respected, based on humanitarian considerations.

Hsieh Chang-ting furthermore explained a difference of views between the DPP and the KMT on the question of diplomatic relations of the mainland. He said the KMT maintains that China must be unified under the Three People's Principles. The DPP thinks that this ideal is at present very far from realization and that the those on the two sides of the Taiwan Strait should peacefully compete with each other in a state of equality and in an attitude of reason. Both should improve the living conditions of their peoples, promote democracy on both shores, and avoid creating tensions with loud shouts of "liberation" or "unification."

The issue of the two sides of the Taiwan Strait should also be resolved according to the will of the inhabitants. We oppose a settlement by either the CPC or the KMT by a method that runs counter to a method of "self-determination of the inhabitants."

The host of the Tokyo University symposium, assistant professor of Japanese and Chinese history Wakabayashi Masahiro [5387 2651 2973 0004] pointed out in his summation speech that the establishment of the DPP is a political challenge for the KMT and a challenge for the CPC's "policy of unification." In a deeper sense it is a challenge to Chinese traditional political concepts. The appearance of the DPP in 1986 is of profound historical significance. These observations seem to express the viewpoint of Japanese political circles on the political developments in China.

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CSO: 4005/502

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